United States Court of Appeals

for the Second Circuit

APPENDIX

74-1693

B

P/S

United States Court of Appeals

For the Second Circuit

Docket No. 74-1693

SECURITIES AND EXCHANGE COMMISSION,
Plaintiff-Appellee,

—against—

TILNEY & COMPANY,
FREDERICK TILNEY,
Defendants-Appellants,

On Appeal From the United States District Court
for the Southern District of New York

DEFERRED JOINT APPENDIX

Volume I — Pages 1 to 374

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UNITED STATES COURT OF APPEALS
FILED
JUN 24 1975
A. DANIEL FUSARO, CLERK
SECOND CIRCUIT

8

PAGINATION AS IN ORIGINAL COPY

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NOTES REGARDING NUMBERING

This Deferred Joint Appendix is numbered pages 1 to 1419. During the course of the assembling of the Appendix, the following pages were inserted and assigned identifying letters:

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GENERAL NOTES

For the convenience of the Court, notes have been inserted indicating where certain items referred to in the immediately preceding text in the Appendix may be found elsewhere in the Appendix to avoid duplication. Where transcript pages would not reproduce legibly, they have been retyped and carry a note at the bottom of the page "Retyped for Clarity." Some documents have also been retyped in order to reduce their size to 8 1/2" x 11" and others have been reduced from the originals to 8 1/2" x 11" by photo reduction.

SPECIFIC NOTES

Where material in the record has been reduced for the sake of brevity and conservation of space, appropriate notes appear.

SPECIAL NOTES REGARDING DOCUMENTS 127, 128, 134, 135 and 135A

Two affidavits signed by Frederick Tilney dated April 17, 1972 were submitted. One was in the back of Cadwalader, Wickersham & Taft (appendix pages 942-A through 942-M, Document #127). The other affidavit (Document #128) submitted pro se is included in the Appendix on pages 931 through 942.

Both of the affidavits of April 17, 1972 had attached common exhibits, A through D, which are included in the Appendix on pages 943 through 1017.

Exhibits E and F (Documents #137 and #164) to the pro se affidavit (Document #128) appear in chronological order on Appendix pages 120 and 107, respectively.

Both of these exhibits were also attached to an affidavit of Frederick Tilney dated May 10, 1972, filed by Cadwalader, Wickersham & Taft (Document #137) and specific notes regarding them appear on page 1118 of the Appendix.

Subsequent to the filing of the two affidavits signed by Frederick Tilney dated April 17, 1972 and following a hearing before the Court on April 19, 1972, defendant-appellant's counsel, Terence F. Gilheany, Esq., pursuant to a request at the hearing of April 19, 1972, filed affidavits of John J. Rieger, Vice President of the Long Island National Bank, and Walter J. Carroll, Esq., counsel for the Long Island National Bank, as well as a signed and corrected affidavit of Thomas Bellingham, former President and Director of the Matinecock Bank. These three affidavits are parts of the record as Documents 135A, 135 and 134, respectively.

EXHIBIT

Exhibit 1 is included with this Appendix. The Exhibit is Exhibit A to the affidavit of Frederick Tilney in Support of an Application for a Rehearing dated March 16, 1974 (Document #161A). The Exhibit is being submitted in four copies to the Court pursuant to Rule 30(e). The Exhibit consists of 84 pages of mimeographed material 8 1/2" x 14" which were attached to the affidavit and to conform to the rules the pages have been folded over so as to be 8 1/2" x 11" with the numbers written on the turned over edge of each page for convenience of the Couft.

The Exhibit, entitled "Time Analysis of Receivers and Retainers on Final Applications in the Receivership of Tilney & Company and Frederick Tilney", covers the activities of the receiver, the ex-receiver and their retainers as a group on each day for which time was recorded in their respective applications for allowances from December 17, 1967 to December 31, 1972. The Exhibit breaks down the time on a collective daily basis into seven periods.

CIVIL DOCKET 67 CIV 4676

67 CIV 4676

UNITED STATES DISTRICT COURT

Jury demand date:

JUDGE EDELSTEIN

D. C. Form No. 106 Rev.

TITLE OF CASE	ATTORNEYS
SECURITIES AND EXCHANGE COMMISSION VS TILNEY & COMPANY FREDERICK TILNEY	For plaintiff: New York Regional Office, Sec. & Exch. Com. 225-Broadway, NY10007 26 Federal Plaza, NYC 10007 Att. Franklin D. Cranston For defendant: Attys. For Receivers - Wagner, Quillinan & Tennant 350 Fifth Ave. 10001 565-1636

STATISTICAL RECORD	COSTS		DATE	NAME OR RECEIPT NO.	REC.		DISB.	
J.S. 5 mailed X	Clerk		1-10-68	Sullivan	15	-		
			1-12-68	US Treas			15	-
J.S. 6 mailed	Marshal		5/24/74	Sues	5	-		
			5/24/74	Tilney			5	-
Basis of Action: Violation of Securities Exchange Act of 1934 $Undetermined	Docket fee		5/24/74	Sheriff	5	-		
			5/24/74	Treas			5	-
	Witness fees							
Action arose at:	Depositions							

1

DATE	PROCEEDINGS	Date Judgm
Jun 19-69	Filed Transcript of record of proceedings April 15,1969-Edelstein,J.	
Jun 20-69	Filed transcript of record of proceedings April 7,1969 --Edelstein,J.	
June 26-69	Before Edelstein, J. - hearving held on Tilney & Company receivership and adjourned until July 10, 1969.	
Jul 2-69	Filed transcript of record of proceedings 6-5-69 -- Edelstein,J.	
Jul 2-69	Filed transcript of record of proceedings 6-26-69 -- Edelstein,J.	
Jul 7-69	Filed Order to Show Cause ret. 7-16-69 11 A.M. Room 102 to appoint guardian ad Litem,etc.-- Edelstein, J.	
Jul 16-69	Filed Jeanette R. Fauer Affdvt. of service by mail	
Jul.16-69	Filed order that I. Alan Harris to withdraw as co-receiver is accepted & that Joseph C. Hogan is designated sole receiver of all assets & property of deft. Tilney & Co., & Frederick Tilney & in the custody of any depository or banking institution. Except as modified the terms of the Consent Judgment dated 12-18-67 remain in full force & effect.--Edelstein,J.- mailed notice.	
Jul.28-69	Filed order appointing Arnold Bauman of 30 Rockefeller Plaza,NYC Guardian ad Litem of the infants,Kathleen Gail Tilney,Dorothy C. Tilney and Frederick Tilney,Jr. The adjourned return date of order to show cause is fixed at Sept.23,1969. Edelstein, J. mailed notice.	
Jul.31-69	Filed consent of Arnold Bauman to serve as guardian ad litem.	
Aug.1-69	Filed transcript of record of proceedings of July 16,24, 1969.	
Sep.8-69	Filed notice of settlement and order that certain shares of stock of Waddington Bank are to be auctioned in Room 906 9-24-69 at 10:00 AM, and receiver is authorized to advertise said sale in the New York Times, The Wall Street Journal and the New York Law Journal, once a week for two weeks preceeding the auction date,etc.Edelstein, J. m/n	
Sep.16-69	Filed petition and show cause order to expunge all claims filed by Guardian Ad Litem, ret. before Edelstein, J. on 9-23-69 at 11AM, Room 906. Edelstein, J.	
Oct.15-69	Filed transcript of record of proceedings of 9-23-69 before Edelstein,	
Oct.21-69	Filed transcript of record of proceedings dtd. 9-23-69.	
Dec.11-69	Filed stip and order that time for submission of applications for interim allowances is extended to 1-15-70. So Ordered-Edelstein,J.	
Dec.24-69	Filed petitioner spetition & show cause order to permitt the transfer of certain real property ret. 12-30-69 at 2:P.M. in rm 618.	
Feb.6-70	Filed affidavit of Robert G. Benisch in opposition to claims.	
Feb.6-70	Filed supplemental memorandum in support of petition to expunge claims	
Feb.6-70	Filed report of Arnold Bauman, Guardian Ad Litem for Kathleen Gail Tilney, Dorothy C. Tilney and Frederick Tilney, Jr.	
Feb.18-70	Filed Petition and Order To Show Cause, authorizing the receiver to sell certain real property, returnable Feb.24,70. at 10:00 A.M. in room 618.	
Feb.24-70	Filed affidavit of petition and show cause order.	
Feb.24-70	Filed petition of Frederick Tilney in opposition.	
Mar.10-70	Filed petition of Wagner,Cuillinan & Tennent for application for allowances.	
Apr.8-70	Filed receivers ORDER TO SHOW CAUSE (to expunge certain claims) returnable Apr.29-70 at 2:30 P.M. in room 618.	
Apr 8-70	Filed order that William Wakeland, of 801 F St., Anchorage, Alaska, M.G. Gebhart, of 803 Fifth Ave., Anchorage, Alaska & David T. McCabe, of 1326 K St., Anchorage, Alaska will discharge the trust committed to them, be & hereby are commissioned to appraise the real property herein offered for sale, to wit, the real property described in the copy of the deed appended hereto as Exhibit A & it is further ordered, that such appraisers, with all convenient speed, submit their	

(cont'd on pg 3)

DATE	PROCEEDINGS	Date Order or Judgment Not
	independent appraisals of the fair market value of said real property to this court, & it is further ordered that the fee of such appraisers shall be fixed upon proper application to this court-Edelstein,J. m/n	
Apr.13-70	Filed affidavit of service by mail of entry of order.	
Apr.27-70	Filed AFFIDAVIT of Dorothy M. Tilney and Frederick Tilney in opposition to the receivers application to expunge claims.	
Apr.28-70	Filed OATH of William Wakeland commisioned by order as Appraiser.	
Apr.28-70	Filed OATH of M. G. Gebhart commisioned by order as Appraiser.	
Apr.29-70	Filed APPLICATION of B. Bernard Greudiner & Company for allowance of interim compensation	
Apr.29-70	Filed RECEIVERS APPLICATION for allowance of interim compensation.	
May 1-70	Filed Oath of David T. McCabe	
May 4-70	Filed REPORT AND PETITION FOR ALLOWANCE by I. ALAN HARRIS.	
May 7-70	Filed APPRAISAL,REPORT by Simmons & Wakeland,Inc.	
May 7-70	Filed APPRAISAL REPORT by Gebhart & Peterson	
May 7-70	Filed APPRAISAL REPORT by David T. McCabe.	
May 14-70	Filed Transcript of record of proceedings, dated 2-24-70	
May 18-70	Filed order that notice of terms proposed private sale of said property be published, in the form annexed hereto marked Exhibit A and commencing on 5-22-70 or earliest date thereafter, in Anchorage Alaska Times on 3 consecutive days & in Anchorage News on 4 consecutive days-Edelstein,J. m/n	
May 20-70	Filed AMENDED PETITION.	
June 11-70	Filed Transcript of record of proceedings, dated 5-14-70	
June 11-70	Filed Transcript of record of proceedings, dated 5-26-70	
June 12-70	Filed memo endorsed on show cause order filed 12-24-69 & as amended by petition---- After hearing & on consent of the parties the within is granted as amended by petition filed in court on 5-20-70-Settle order-Edelstein,J.	
July 8-70	Filed receivers SUPPLEMENTAL ORDER TO SHOW CAUSE.	
July 14-70	Filed Receivers AFFIDAVIT OF SERVICE BY MAIL.	
Jul 20-70	Filed proof of claim of E.E. Damon	
Jul 24-70	Filed order that application of the Receiver is granted in all respects & it is further ordered that receiver is authorized to sell said property on terms set forth in the Receiver's petition for the total sum of $32,000 payable as indicated. It is ordered that Receiver pay to Wm. Wakeland as & for his appraisal fee herein the sum of $350-Edelstein,J. m/n	
Jul22-70	Filed William M. Johnson AFFIDAVIT.	
Jul 27-70	Filed I. Alan Harris AFFI AVITOF SERVICE .	
Jul 27-70	Filed I. Alan Harris NOTICE OF PETITION FO R ORDER FIXING COMPENSATION.	
Jul 31-70	Filed order that Hogan, receiver herein & Frederick Tilney, execute & deliver to petitioner a bond & mortgage in form as indicated, in full payment & satisfaction of claim of Marine Midland Tinker National Bank & of its claim of $90,000 plus interest against the Receivership estate etc.Edelstein,J. m/n	
Aug 5-70	Filed Petitioners AFFIDAVIT OF SERVICE OF NOTICE OF PETITION.	
Aug 6-70	Filedorder that receiver pay to David T. McCabe the sum of $350 for his appraisal fee herein & it is ordered that receiver pay to M.G. Gebhart the sum of $225 for his appraisal fee herein-Edelstein,J.	
Aug.21-70	Filed transcript of record of proceedings dtd. 4-29-70.	
Sep 8-70	Filed NOTICE OF PETITION FOR FIXING OF ALLOWANCES.	
Oct 6-70	Filed order & petition that a notice to creditors in form annexed to petition of Robert Reniech be mailed to all creditors of record of Tilney & Co. at their last known addresses not later than 3 wks. prior to 11-16-70, the adj. date of hearing on applications for allowances & it is further ordered that 11-16-70 be fixed as the adj. date for hearing on application for allowances-Edelstein,J. m/n	
10-16-70	7-14-73	
Oct.28-70	Filed NOTICE OF WITHDRAWAL OF PETITION FOR FIXING OF ALLOWANCE.	

See Next page

67CIV 4676 S.E.C. vs TILNEY & COMPANY 67 CIV 4676

D. C. 110 Rev. Civil Docket Continuation PAGE 4 JUDGE EDELSTEIN

DATE	PROCEEDINGS	Date Order Judgment No.
Nov.18-70	Filed L. ALAN HAFFIS NOTICE OF APPEARANCE AND DEMAND.	
Dec.29-70	Filed defendants NOTICE OF MOTION for an order terminating receivership.	
Dec.29-70	Filed defendants MEMORANDUM in support of motion to terminate receivership.	
22 DEC 1970	Filed Transcript of record of proceedings, dated 10-15-70	
22 DEC 1970	Filed Transcript of record of proceedings, dated 10-5-70	
Dec 30-70	Filed Findings of Fact & Conclusions of Law---Claims of Kathleen, Dorothy & Frederick Tilney, Jr. in connection with the shares of stock of Tinker National Bank & Long Island Bank sold by Frederick Tilney is invalid & unenforceable against the receivership estate. The claim of Dorothy C. Tilney in connection with the 76 shares of stock of Tinker National Bank sold by Frederick Tilney is a valid claim, enforceable against receivership estate--it is so ordered, & counsel for the Receiver will submit an appropriate judgment on notice in accordance herewith-Edelstein,J. m/n	62 shares stock
Jan.8-71	Filed order that attached papers are to be docketed and made a part of the file in the above-captioned case. So ordered, Edelstein,J. Copy of execution against property with notice to garnishee, a true copy	
Jan 14-71	Filed Findings of Fact & Conclusions of Law #37,330--- Claims of Dorothy M. Tilney against Tilney & Co., the Claim of Frederick Tilney against Tilney & Co., Claims of Dorothy M. Tilney against Frederick Tilney shall be expunged because the respective claimants totally failed to support their claims by any evidence--It is so ordered, & counsel for the Receiver will submit an appropriate judg. on notice in accordance herewith-Edelstein,J. m/n	
Jan.22-71	Filed receivers NOTICE OF MOTION for an order confirming sale of real property.	
Jan.27-71	Filed receivers AFFIDAVIT in opposition to defendants motion to terminate receivership.	
Jan 27-71	Filed Transcript of record of proceedings dated 5-14-70	
Jan.29-71	Filed Receivers NOTICE OF SETTLEMENT AND JUDGMENT.	
Jan.29-71	Filed plaintiffs AFFIDAVIT in partial opposition to defendants motion.	
Jan.29-71	Filed AFFIDAVIT OF DOROTHY M. TILNEY in support of motion to terminate receivership.	
Jan.29-71	Filed APPLICATION FOR FEE by guardian ad litem.	
Jan.29-71	Filed MEMORANDUM OF LAW on behalf of the guardian ad litem.	
Feb 2-71	Filed memo endorsed on motion filed 1-22-71----Granted-no opposition-Edelstein,J.	
Feb 2-71	Filed Order that sale is confirmed & Receiver is directed to execute & deliver to said purchaser a good instrument of title to said property, upon payment to him for the consideration aforesaid-Edelstein,J. m/n	
Feb 5-71	Filed Judgment---Ordered that the claims of Kathleen Gail Tilney, Dorothy C. Tilney & Frederick Tilney, Jr. based upon the promissory notes executed by Frederick Tilney & representing withdrawals made from savings accounts in the Matinecock Bank, Tinker Nat. Bank & Lincoln First Federal Savings & Loan Association are invalid & unenforceable against the receivership estate, & they are expunged for the purposes of this receivership proceeding. It is ordered that the claim of Frederick Tilney, Jr. in connection with 62 shares of stock of Long Island Nat. Bank & claim of Dorothy C. Tilney i n connection with 77 shares of stock of L.I. Nat. Bk. are invalid & unenforceable against the recievership estate & is hereby expunged for purposes of this receivership proceeding & that claim by Dorothy C. Tilney in connection with 76 shares of stock of Tinker Nat.Bank is a valid & enforceable claim against the receivership estate & claim is liquidated in the amount of $6,231 & it is ordered that Receiver shall distribute to Dorothy Tilney the sum of $6,231-Edelstein,J. m/n Ent 2-9-71	
Mar 2-71	Filed Claimants Kathleen Gail Tilney, Dorothy C. Tilney & Frederick Tilney, Jr. notice of appeal to USCA from the final judg. of 2-5-71--Mailed copies to SEC; Robert G. Bantich, Esq.; Cadwalader, Wickersham & Taft.	
Apr.2-71	Filed receivers NOTICE OF MOTION to expunge claim of D. Raymond Kenney & Co.	
Apr. 2-71	Filed stip & order that the time within which Kathleen Gail Tilney, Dorothy C. Tilney & Frederick Tilney, Jr. claimants-applicants shall file the record on appeal be extended from 3-2-71 to 5-9-71- so ordered- COOPER, J.	

DATE	PROCEEDINGS	Date Order Judgment
Apr.9-71	Filed D.Raymond Kenney AFFIDAVIT re:allowance of claim.	
Apr.14-71	Filed defendants AFFIDAVIT in support of motion to expunge claim of D. Raymond Kenney & Co.	
Apr 16-71	Filed memo endorsed on motion filed 4-2-71---Non appearance of D. Raymond Kenney & Co. on 4-15-71 in response to motion to expunge its claim is noted. Hearing held. Default noted. Motion granted. Submit proposed findings of fact & Conclusions of Law & proposed order-Edelstein,J.	
Apr 19-71	Filed Transcript of record of proceedings dated 12-23-70	
Apr 19-71	Filed Transcript of record of proceedings, dated 1-29-71	
Apr.29-71	Filed Transcript of record of proceedings dated 5-7-70	
May 3-71	Filed Receivers NOTICE OF MOTION re:distribution to creditors.	
May 6-71	Filed S. E. C. AFFIDAVIT in support of receivers motion.	
May 6 71	Filed Receivers AFFIDAVIT OF SERVICE. re:motion dated 4-30-71	
May 6-71	Filed Memorandum & Order--Defts' motion for an order terminating the receivership in this proceeding, permanently enjoining the further liquidation of receivership assets & fixing final adm. expenses is denied-So ord ered-Edelstein,J. m/n	
May 18-71	Filed affdvt of Frederick Tilney & Dorothy Tilney in support of claim of Miller, Montgomery,Spalding & Sogi for payment of fees etc.	
May 18-71	Filed affdvt of Mandeville Mullally in support of claim of Miller,Montgomery Spalding & Sogi	
May 18-71	Filed Findings of Fact & Conclusions of law & ORDER---Receivers' settlement of judg. against Kenny was in full settlement of all claims of either pty arising out of joint venture & therefore claim of Kenny is barred & unenforceable against receivership estate--It is so ordered & counsel for Receiver will submit judgment in accordance herewith-Edelstein,J.	
May 18-71	Filed Judgment---Ordered that claim of D. Raymond Kenny & Co. against the receivership estate in amt. of $30,336.10 plus interest, is unenforceable against receivership estate & same hereby is expunged-Edelstein,J. Judgment ent-Clerk m/n ENT 5-19-71	
May 25-71	Filed ORDER that said claims not previously allowed are allowed as unsecured claims in respective sums set opposite the several names in said Schedule & It is further ordered that Receiver is authorized & directed to distribute to the creditors an amt. equal to 65% of all said allowed claims as & for a first & partial distribution to creditors of defts'-Edelstein,J. m/n	
June 7-71	Filed true copy of notice of entry of order dated 5-25-71 with affdvt of service by mail to SEC.	
Jun 16-71	Filed affidavit of Arnold I.Claman in support and supplementing proof of claim.	
June 17-71	Filed Transcript of record of proceedings, dated 4-15-71	
Jun 18-71	Filed receivers ORDER TO SHOW CAUSE & AFFIDAVIT returnable 6-24-71 at 10:00 A.M.	
June 25-71	Filed affdvt of Frederick Tilney in opposition to receiver's application to punish for contempt	
June 25-71	Filed affdvt of Dorothy M. Tilney in opposition to receiver's application to punish for contempt	
June 28-71	Filed affdvt of service by mail of the petition & order of 6-18-71	
June 28-71	Filed stip & order that the hearing on the order to show cause of 6-18-71 & petition is adjourned from 6-24-71 to 6-28-71-So ordered-Edelstein,J.	
Jul 1-71	Filed Guardian ad Litem NOTICE OF MOTION for an order pursuant to rule 21.	
Jul 8-71	Filed AFFIDAVIT in support of claim of Cadwalader, Wickersham & Taft.	
Jul 8-71	Filed letterdated June 30,1971 from James E. Newton, Administrator S.E.C. to Edelstein,	
Jul.2-71	Filedtranscript of record of proceedings dated 12-7-67.	
Jul 12 71	Filed MEMO ENDORSED on motion papers filed 7-1-71. "Granted - Consent- Settle Order. Edelstein J."	
Jul 14-71	Filed stip ulaton that receiver has no objection to granting of relief requested by Arnold Bauman in notice of motion of 6-30-71	

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(cont'd on pg 6)

JUDGE EDELSTEIN

DATE	PROCEEDINGS	Date Order Judgment
Jul 20-72	Filed ORDER that Arnold Bauman, is authorized to deposit in an account in his name for the benefit of Dorothy C. Tilney all funds heretofore or hereafter received by him on behalf of Dorothy Tilney in an interest bearing savings acct. to be maintained at the Bowery Savings Bank & it is ordered that the funds so deposited [illegible] may not be withdrawn without a further order of this Court, [illegible] Guardian Ad Litem is authorized on the demand of Dorothy C. Tilney to withdraw such funds when Dorothy C. Tilney shall attain age of 21, at which time said Guardian is authorized to deliver to Dorothy Tilney all of the funds then remaining in [illegible] Edelstein, J. m/n	
Jul 24-71	Filed Transcript of record of proceedings, dated June 25, 1971.	
Aug 2-71	Filed Transcript of record of proceedings, dated May 6 1971	
Sept 2-71	Filed receiver's NOTICE OF MOTION for judicial determination of certain claims, returnable Sept 8, 1971, Room 518, 10:30 A.M.	
Sep 8-71	Filed petition for allowance of accountants fees.	
Sep 8-71	Filed AFFIDAVIT in support of claim of Cadwalader, Wickersham & Taft.	
Sep 8-71	Filed defendants SUPPLEMENTARY AFFIDAVIT.	
Oct 25-71	Filed ORDER that claims set forth in Sch. I, II, III, & V are allowed as unsecured claims in the amounts set opposite the several names in said schedules & it is ordered that Receiver is authorized to distribute to creditors in said schedules the amounts set opposite their names in said schedules; claims set forth in Sch. IV are [illegible] opposite several names in said schedule; [illegible] Receiver etc. Ordered that Receiver is [illegible] respective creditors set forth in Sch. IV [illegible] respective sums indicated in schedule; [illegible] Irving S. & Thelma Newberry, the sums [illegible] balance of each claim previously [illegible] is reduced to an allowed amt. [illegible] the sum of $15,852 Edelstein, Ch. J.	
[illegible]	[illegible] Guardian Ad Litem for [illegible] Dept. of Audubon, Allegaert & Fassell [illegible] Irrevocability & consent to act, be [illegible] Infant, Dorothy C. Tilney-Edelstein, Ch. J.	
Jan 3-72	Filed [illegible] motion relieving him of duties as Guardian ad Litem before Edelstein Ch. J.	
Jan 12-72	Filed affdvt of Dorothy Tilney in support of motion of Arnold Bauman	
Jan 12-72	Filed Memo endorsed on motion filed 1-4-72---Submitted. Application for an order relieving Arnold Bauman of his duties as Guardian ad Litem is granted-Edelstein, Ch. J	
Jan 27-72	Filed John M. Doyle, III affdvt & consent to serve as Guardian Ad Litem of Dorothy C. Tilney	
Feb 29-72	Filed affdvt of Frederick Tilney in partial opposition to motion	
Mar 10-72	Filed notice of motion of C. Alan Harris of hearing date on notice of petition for order fixing compensation. Hearing on Report & Petition for allowance before Edelstein Ch. J. on 3-21-72 in rm 518	
Mar 20-72	Filed Receiver notice of motion re: Claims, Mot. Before Edelstein Ch. J.	
Mar 23 72	Filed Receiver's notice of motion for fixing of allowances.	
Mar 23 72	Filed Memorandum in support of application for substitution of attorneys, submitted by the Atty.	
Mar 28 72	Filed Memorandum in opposition to application for substitution of atty's, submitted by Receiver.	
Mar 29 72	Filed Memorandum of C. Alan Harris in opposition to application for substitution of attorneys.	
Mar 28 72	Filed Affdvt of [illegible] in support of the application of Cadwalader, Wickersham & Taft [illegible] substitution of Kaye, Scholer & Bolan in place of it as Atty's for the defts.	

DATE	PROCEEDINGS	D Ju
MAR 10 72	Filed Application by Marks, Herson & Co. (Successor to B. Bernard Greidinger & Co.) for allowance of compensation.	
MAR 10 72	Filed Supplemental application for allowances submitted by Joseph C Hogan, Receiver.	
MAR 10 72	Filed Application for allowance by Wagner, Quillinan & Tennant, attys for J. C. Hogan, receiver of the assets of Tilney & Co. and F. Tilney.	
APR 14 72	Filed Affdvt of Franklin D Cranston, Atty on staff of S.E.C. in partial opposition to the applications of the Rec eiver, Counsel and Accountants for final Administrative fees.	
APR 14 72	Filed Affdvt of Frederick Tilney Re: certain facts relating to requested change of counsel.	
APR 14 72	Filed Stip for substitution of attys.	
APR 18 72	Filed Memo Endorsed on Stip filed Apr. 14 1972 for substitution of counsel, "Accordingly, the application is denied. So Ordered. Edelstein Ch J." m/n	
APR 18 72	Filed Affdvt of Bartley DeBuono and Dorothy M Tilney in opposition to application for fees and in support of application for surcharge.	
APR 18 72	Filed Affdvt of Fred Tilney in support of motion to terminate the receivership pay interest to customer creditors, reduce the amount of the final fees and allowances of the receiver, ex-receiver and their retainers and for preliminary and permanent injunction.	
APR 18 72	Filed Suppl. affdvt of Frederick Tilney in opposition to application for fees and in support of application for surcharge.	
APR 18 72	Filed ORDER that the claims as set forth in Schedules I and II are hereby allowed as unsecured claims in the respective sums set opposite the several names in said schedules and further ordered that the Receiver is hereby authorized and directed to distribute to the respective creditors set out in Schedules I and II the amt. set opposite the several names in said schedules. Edelstein Ch J. m/n	
APR 19 72	Filed Preliminary reply affdvt of I Alan Harris	
APR 19 72	Filed Affdvt of Joseph C Hogan, Receiver.	
APR 19 72	Filed Affdvt of David Ferber, Solicitor of the S.E.C.	
APR 19 72	Filed Marks-Hersen & Company time records Mar. 2 1970 to Jan 31 1972.	
APR 19 72	Filed Greidinger time records Tilney Receivership 12-18-67 to 2/28/70.	
Apr 20 72	Filed Affdvt of Thomas Bellingham in support of mdion to reduce fees of the Receiver, ex-receiver and their retainers and to surcharge for damages.	
Apr 20 72	Filed Affdvt of John J Rieger, Vice Pres. of Long Island National Bank.	
Apr 20 72	Filed Affdvt of Walter J Carroll, atty for Long Island National Bank.	
May 16 72	Filed Petition of Alfred Koppel, C.P.A. for Allowance of Accountant's Fees.	
May 16 72	Filed Affvdt of Sidney Rothman, C.P.A. in support of claim for fees for services rendered to the Receivers of Tilney & Co by Louis D Blum & Company.	
MAY 31-72	Filed Transcript of Record of Proceedings dated March 23,1972.	
Mar 23-72	Filed defts' memorandum in op position to applications for allowances.	
May 4-72	Filed memorandum of L. Alan Harris in support of application for allowance.	
May 10-72	Filed deft Tilney & Co., further affidavit in opposition to applications for fees and allowances. & letter to Edelstein, J. of Sec dated May 10, 1974.	
May 12-72	Filed defts' Reply memorandum.	
May 12-72	Filed response of the S.E.C. to petitions for allowances.	
May 16-72	Filed Receiver affidavit in response to thememorandum of the S.E.C. dated 5-10-72	
May 22-72	Filed letter of S.E.C. to Judge Edelstein dated, 5-19-72	
Jun 5072	Filed Receiver's Reply affidavit of Frederick Tilney filed herein in support of a moti to reduce the amount of the final fees and allowances of the Receiver, Ex-Receiver and their retainers.	
Jun 5-72	Filed memorandum in support of application for allowances.	
Jun 6-72	Filed Answer to response of S.E.C. in support of application for allowances of L. Alan Harris.	

SEE PAGE #8

S.E.C. vs TILNEY & CO. et ano.

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D. C. 110 Rev. Civil Docket Continuation

DATE	PROCEEDINGS ASSIGNED TO EDELSTEIN J.	Date Order or Judgment Note
JUNE 22 72	Filed MEMOENDORSED annexed to Unsigned order to show cause. --"This order is unsigned. The affdvt in support thereof affords no basis for granting this ex-parte order. The deft has failed to make a showing why this extraordinary relief should be granted. See Rule 11, Gen'l Rules of SDNY. Further a reading of the affdvt clearly indicates deft could have given timely notice. See R. 9 (c)(4), Gen'l Rules of SDNY. Edelstein J. m/n	
K-2-72	Filed Transcript of record of proceedings, dated 4-19-72	
Sept 8 72	" " " " " " May 4 1972.	
Oct.20-72	Filed OPINION #38847. Edelstein, Ch.J. The application for final administrative fees in this receivership are denied and granted as indicated. (see opinion) (mailed notice).	
Nov.17-72	Filed Order to Show Cause Ret. in ROOM 2804 on 11/27/72 at 2:30 PM re: Modify Decision of 10/19/72, together with affidavit in support thereof.	
Nov.27-72	Filed Affidavit in Response.	
Dec.1-72	Filed Affidavit in opposition to motion for reconsideration of decision.	
Dec.5-72	Filed Order to Show Cause Ret. 12/14/72 at 2 PM ROOM 2804 re: order to Liquidate Loan and/or.	
Dec14 1972	Filed Transcript of record of proceedings, dated Nov 22, 1972	
Dec21-72	Filed Notice of Settlement and Order.- Ordered that the Long Island National Bank shall sell on 12-28-72 the Alaska State Development Corp. note presently being held by it. Said bank shall liquidate its loan with Governmental Statistical Corp and shall pay the balance of the proceeds of the sale of the Alaska State Development Corp note plus the cash balance remaining on hand with said bank to the receiver etc. ordered that the Long Island National Bank, subject to the approval of its Loan Committee, shall lend to Dorothy Tilney the sum of $10,000. etc. and ordered that this motion is adj'd until 1-3-73 at 10:30AM. (mn) EDELSTEIN, J. Ch.J. R	
Dec21-72	Filed Order Fixing Allowances as indicated. (mn) EDELSTEIN, J. Ch.J. R	
Jan.26-73	Filed Order that Arnold Bauman be allowed as compensation for his services rendered this proceeding as Guardian ad litem the sum of $5,000. tog. with the sum of $268.70 as reimbursement for expenses, (Total $5,268.70). Edelstein, Ch.J. (mailed notice).	
Feb.2-73	Filed ORDER that deft. Frederick Tilney ind. and as General Partner of deft. Tilney & Co. shall apply within 15 days from date of this order, to the insurance companies named for loans by said insurance companies on the insurance policies as indicated; ordered that the proceeds of the loans shall be remitted by the named insurance companies directly to Joseph C. Hogan, the Receiver c/o Hogan & Kelleher, 29 Broadway, N.Y. 10006, by checks made payable to Joseph C. Hogan as Receiver of the Assets of Tilney & Company and Frederick Tilney. Edelstein, Ch.J. (mailed notice).	
Feb.2-73	Filed stipulation and order that the administrative expenses paid or to be paid in this proceeding are as indicated. So ordered. Edelstein, Ch.J. (mailed notice)	
Mar27.73	Filed Stip & Order that the motion by the Receiver, etc. which was adjourned to March 13, 1973 is hereby withdrawn. So Ordered Edelstein Ch.J.	
Apr 19.73	Filed Transcrip of proceedding dated 12/14/72.	
Sep-13-73	Filed Order to Show Cause. Re: Discharging receivers & co receivers. ret. 10/2/73. Edelstein Ch. J.	
Sep-21-73	Filed Second Supplemental Affidavit in support of application for surcharge by Frederick Tilney.	
Nov.1.73	Filed memorandum of defts. counsel regarding application of deft. Frederick Tilney to proceed Pro Se in connection with claim of surcharge.	
Feb 21.74	Filed Opinion #40380. The Court will grant the relief requested by the receivers. ETC. Settle Order on Notice) Edelstein Ch. J. (mailed notice)	

---Cont'd Page #9----

DATE	PROCEEDINGS	Date Order & Judgment Not
Dec 5.74	Filed Transcript of proceddin: dated 10/2/73.	
Mar.15-74	Filed deft's (F.Tilney) affdvt in support of application for rehearing.	
Mar 18.74	Filed letter to Judge Edelstein from Cadwalader Wickersham & Taft, dated 3/11/74. Re: defts. have no objection as to the form of the order to submitted to this proceeding.	
Mar 20.74	Filed Order that the final acct. of the recieiver & former co-receiver as h brought down to the date of 7/31/73 is settled and allowed,& that the ~~xxx~~ application of deft. Frederick Tilney to proceed pro se in the matter of a sur charge is denied;& that the application of Hertz Herson & Co., accts. to the receiver, for addt'l compensation for services rendered,etc. is denied;& the reimbursement of expenses & disbursements of Hertz Herson & Co.,accts.etc. in the amt: of $200.80 is approved & the receiver is directed to make payment thereof.;& that reimbursement of additional expenses & disbursements of Wagner Quillinan & Tennant,attys for the receiver in the amt. of $215.88 is approved & the receiver is directed to make payment,etc. & that the reimbursement of his expenses & x disbursements by Joseph C. Hogan,as receiver in; the amt. of $945.00 is approved;& that the receiver is authorized & directed to pay into the registry of this Court all funds set aside for any creditors whose claim have been approved but not paid;& US Internal Revenue Service shall be barred from asserting any claim against the receiver or former co-receiver upon upon the expiration of 30 days of this order & remaining assest of this estate,etc. be returned to defts. as indicated;& that Joseph C. Hogan, et al. & the suretiesson their bond ,etc. are released & discharged from all liability & responsibility as to all things embraced in said final acct. or determined by this order. Edelstein Ch J. (mailed notice)	
Mar 21.74	Filed Memo. End on affidavit submitted in support of application afor a rehearing by Frederick Tilney. Tilney's affidavit is not properly before court. He was denied permission to proceed pro se in this matter by opinion dated 2/27/74; this motion is untimely in light of rule 9(m) ,etc. The application is denied. Edelstein U. S. J. (mailed notice)	
Apr 8.74	Filed Report mkx to the Customers & possible creditors of Tilney & Co. & Frederick Tilney dated 10/31/68.	
Apr 8.74	Filed Memorandum in opposition to application for modification of consent order & proposed order appointing receiver & enjoining defts.	
Apr.8.74	Filed Interrogation of Frederick Tilney & Dorothy McCabe Tilney dated 9/8/69.	
Apr 8.74	Filed Order to Show Cause, ret. 11/18/68 at 10:30 am, Re Judgment. Edelstein Ch. J.	
Apr 8.74	Filed Transcript of proceeding dated 10/2/73.	
Apr 8.74	Filed Transcript of proceeding dated 9/8/74.	
Apr 8.74	Filed Transcript of proceeding dated 12/14/74.	
Apr 8.74	Filed Memorandum of Marine Midland Grace Trust Co. of N.Y. in support of an application to modify the preliminary injunction, & in opposition to the proposed permanent injunction.	
Apr 17.74	Filed Order to Show Cause, Re: Stay, ret. 4/19/74 at 11:30. Edelstein Ch. J.	
Apr 19.74	Filed Affidavit of Service by Robert F. Mullinan on 4/18/74, ~~xxxxx~~	
Apr 19.74	Filed MEMO ENDORSEMENT on order to Show Caused filed 4-17-74 for a stay - The remaining assets of this estate not subject to restraining notices is stayed - ~~xxxxxxxxxx~~ see transcript of 4-19-74. SO ORDERED--EDELSTEIN, CH. J. (Mailed Notices)	
Apr 30. 74	Filed Defts. Notice of Appeal from the order of 3/20/74. (mailed notice)	
May 10.74	Filed I.Alan Harris Withdraw as Receiver Pro Se. Notice of Appeal from order of 12/21/73. (mailed notice) (cross-notice of appeal)	
6-20-74 Jun 25.74	Filed transcript of record or proceedings, dated 4-19-74 Certified Record to the U.S.C.A.	
Jun 26.74	Filed designation of exhibits, Court exhibits A-D, Tinker Exhibit 1, Tilney Exhibit 1 and Receiver Exhibits 1-2.	

FTS—LK—12-6-63—12M—2945 Continued

DATE	PROCEEDINGS	Date Order Judgment No.
Oct 3,73	Certified Supplemental Record to the U.S.C.A.	
Sept 28,73	Filed Order to Show Cause dated April 28,73 submitted by I. Alan Morris, Withdrawn Resolved, Application and memorandum of law of Affidavit of John J. Mazur, etal., etc.	
Sept 28,73	Filed motion of pltff by Frederick Tilney dated June 28,73, for leave to proceed pro se	
Sept 28,73	Filed memo of the pltff by Frederick Tilney for leave to proceed pro se (dated August 28,73)	
Sept 28,73	Filed [illegible] I. Alan Morris, Withdraw Resolved, dated August	
Sept 28,73	Filed [illegible] pltff by counsel I.Alan Morris, in opposition to motion of Frederick Tilney, order to proceed pro se (dated August	
Sept 28,73	Filed [illegible] motion of Frederick Tilney for leave to proceed pro se (dated August 28-73, submitted by	
Sept 28,73	Filed [illegible] this court's jurisdiction to entertain dated August 28-73.	
Sept 28,73	Filed [illegible] to bear surcharge claim made by	
Sept 28,73	Filed [illegible] I. Alan Morris, in opposition to "surcharge [illegible] dated September 28-73.(Affidav	
Sept 28,73	Filed [illegible] motion of Frederick Tilney for leave to proceed pro se (dated August 28-73, submitted by	
Sept 28,73	Filed [illegible] this court's jurisdiction to entertain dated August 28-73.	
Sept 28,73	Filed [illegible] to bear surcharge claim made by	
Sept 28,73	Filed [illegible] I. Alan Morris, in opposition to "surcharge [illegible] dated September 28-73.(Affidav	
Sept 28,73	Filed [illegible] in support of Affidavit of Joseph C. Hilgen dated	
Sept 28,73	Filed [illegible] submitted by I. Alan Morris, et [illegible]	
Sept 28,73	Filed [illegible] the application of defendant Frederick Tilney [illegible] dated October 16-73.	
Sept 28,73	Filed [illegible] Tilney, dated October 28-73, as to defendant's constitut- [illegible] rights, etc.	
Sept 28,73	Filed [illegible] statements" counsel regarding [illegible] Frederick Tilney to proceed pro se in connection with the claim of surcharge, dated November 2-73.	
Sept 28,73	Filed [illegible] dated November 7-73, re statements of [illegible] counsel regarding application of Frederick Tilney to proceed pro se in connection with claim of surcharge.	
Sept 28,73	Filed Pltff's memorandum pro se, dated November 9-73, in answer to memorandum of counsel for the receiver and the ex-receiver to the answer or counsel for the latter. [illegible] in this action, etc.	
Sept 28,73	Filed certified supplemental record on appeal & transmitted to USCA.	
Dec. 6-74	Filed notice that the supplemental record on appeal has this date been certified and transmitted to the U.S.C.A.	
Dec 11,73	Filed Stipulation that the response & the Application for Allowance of [illegible] of Berte, Hansen & Co. dtd. 10/2/73 be submitted to the Court by [illegible] one of the permanent record & sent up to the U.S. Court of Appeals (Second Circuit) to supplement the record on appeal.	
Dec 11,73	Filed Motion of Certification of 4th Supplemental Record to the U.S.C.A.	
Dec 20,73	Filed true copy of Order Extending Time that the motion for costs appellant [illegible] Order of motion dtd. 6/9/75 to engage certain documents from record on appeal is denied in all respects. Tyler, U.S.C.A. Judge. (entire motion)	
Dec 20,73	Filed Notice of Certification of Supplemental Record on appeal to the USCA.	
Dec 8,73	Filed Stipulation for the admission of letter dtd: 3/9-72 of S.E.C. to Judge Edelstein.	

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION Plaintiff, -against- TILNEY & COMPANY FREDERICK TILNEY Defendants.	67 Civil Action File No. 4676 COMPLAINT

1. Plaintiff Securities and Exchange Commission ("Commission") brings this action to enjoin acts and practices in which the defendants have been engaged, are engaged and are about to engage and which constitute and will constitute violations of Section 15(c)(3) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. 78o(c)(3) and Rule 17 CFR 240.15c3-1 promulgated thereunder. The defendants, unless enjoined, will continue to engage in such acts and practices.

2. The Commission brings this action pursuant to authority conferred by Section 21(e) of the Exchange Act, 15 U.S.C. 78u(e).

3. This Court has jurisdiction of this action under Section 27 of the Exchange Act, 15 U.S.C. 78aa.

4. The Commission, pursuant to the authority contained in Sections 15(c)(3) and 23(a) of the Exchange Act, 15 U.S.C.

78o(c)(3) and 78w(a) has prescribed Rule 17 CFR 240.15c3-1 ("Net Capital Rule"), which is now in effect and at all times hereinafter mentioned has been in effect.

5. Defendant Tilney & Company is a partnership with defendant Frederick Tilney the only general partner and Dorothy Tilney, his wife, the only limited partner. Defendant Tilney & Company has its principal place of business at One Wall Street, New York, New York. Defendant Tilney & Company is registered with the Commission pursuant to the provisions of Section 15(b) of the Exchange Act, 15 U.S.C. 78o(b) as a broker and dealer in securities and has been since 1936.

6. Defendant Frederick Tilney resides at Center Island, Oyster Bay, New York.

7. A complaint was filed on August 18, 1967, against defendants Tilney & Company and Frederick Tilney, in the United States District Court for the Southern District of New York (67 Civil Action, File No. 3153), seeking to enjoin the defendants Tilney & Company and Frederick Tilney from further violations of Section 17(a) of the Exchange Act, 15 U.S.C. 78q(a) and Rules 17 CFR 240.17a-3 and 17 CFR 240.17a-5 thereunder and to compel defendants Tilney & Company and Frederick Tilney to file a report of financial condition as required by Rule 17 CFR 240.17a-5.

8. On August 18, 1967, a Consent Temporary Restraining Order was entered by this Court against defendants Tilney & Company and Frederick Tilney enjoining them from the violations set forth in paragraph 7 hereof together with a prohibition against the transfer of any of the assets of defendants Tilney & Company and Frederick Tilney.

9. On August 31, 1967, a Consent Judgment of Preliminary Injunction enjoining the violations set forth in paragraph 7 herein and an order of prohibition against the transfer of assets of defendants Tilney & Company and Frederick Tilney was entered by this Court.

10. On September 29, 1967, this Court entered a Consent Judgment of Permanent Injunction enjoining the violations set forth in paragraph 7 hereof and compelling the defendants Tilney & Company and Frederick Tilney to file a certified report of financial condition of Tilney & Company by October 6, 1967. The aforesaid decree included an order of prohibition against the transfer of assets of defendants Tilney & Company and Frederick Tilney. The prohibition against the transfer of assets of defendants Tilney & Company and Frederick Tilney has been extended successively and will be in effect until midnight December 4, 1967.

11. During the period from at least October 31, 1966 to the date of the entry of the Temporary Restraining Order referred to in paragraph 8 hereof, the defendant Tilney & Company had been a broker and dealer in securities engaged in the business of effecting transactions for the accounts of others

and for its own accounts and during this period had been making use of the mails and means and instrumentalities of interstate commerce to effect transactions in and to induce the purchase and sale of securities (other than exempted securities, commercial papers, bankers' acceptances or commercial bills) otherwise than on a national securities exchange.

12. Since at least August 9, 1967 the defendant Tilney & Company has, aided and abetted by defendant Frederick Tilney, permitted and is now permitting its aggregate indebtedness to all other persons to exceed two thousand (2,000) per centum of its net capital in contravention of the Net Capital Rule promulgated under the Exchange Act. Specifically, as of August 9, 1967 the defendant Tilney & Company required $646,308.99 additional capital in order to be in compliance with said Rule.

13. Since August 9, 1967, the defendants Tilney & Company and Frederick Tilney have been successful in obtaining written releases from the Tinker National Bank and the Franklin National Bank, dated November 1, 1967 and November 9, 1967 respectively, purporting to absolve defendant Tilney & Company from any liability with respect to certain repurchase agreements entered into between defendant Tilney & Company and the said two banks. As of August 9, 1967, these repurchase agreements represented a liability to defendant Tilney & Company of $398,651.00. With the withdrawal of the $398,651.00 liability

(representing the liability on the repurchase agreements) from the August 9, 1967 computation, the defendant Tilney & Company required $247,657.99 additional capital in order to be in compliance with the Net Capital Rule.

14. Since at least August 9, 1967 the defendant Tilney & Company has permitted and is now permitting its adjusted net capital to be less than the minimum $5,000 required under the Net Capital Rule under the Exchange Act.

WHEREFORE, plaintiff respectfully demands:

I. A preliminary injunction and a permanent injunction enjoining defendants Tilney & Company and Frederick Tilney, their officers, successors, principals, agents, servants, employees, attorneys and those persons in active concert or participation with them, and each of them, from directly or indirectly making use of the mails or of any means or instrumentality of interstate commerce while Tilney & Company is a broker or dealer in securities, to effect any transaction in or to induce or attempt to induce the purchase or sale of a security (other than an exempted security or commercial paper, bankers' acceptances or commercial bills) otherwise than on a national securities exchange:

(1) while and at a time when the aggregate indebtedness of defendant Tilney & Company to all other persons exceeds two thousand (2,000) per centum of its net capital, as defined by Rule 17 CFR 240.15c3-1 under the Exchange Act; and

(2) while and at a time when the adjusted net capital of the defendant Tilney & Company is less than the minimum of $5,000, as required under the Net Capital Rule under the Exchange Act;

II. Such other and further relief as to this Court may seem just and proper.

MAHLON M. FRANKHAUSER
Regional Administrator

CHARLES SNOW
Assistant Regional Administrator

ROBERT M. BERSON
Attorney

JOEL HELD
Attorney

Attorneys for
SECURITIES AND EXCHANGE COMMISSION
New York Regional Office
225 Broadway, New York, N.Y. 10007
Tel. No.: 264-1600
264-8547

mkx

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

- -

SECURITIES & EXCHANGE COMMISSION,

Plaintiff,

-vs-

TILNEY & COMPANY,
FREDERICK TILNEY,

Defendants.

67 Civ. 4676.

- - - - - - - - - - - - - - - - - - - -x

New York, New York,
December 6, 1967,
Room 2104- 10:30 a.m.

Before:

HON. DAVID N. EDELSTEIN,

District Judge.

Appearances:

ROBERT M. BERSON, ESQ.,
Attorney for Securities &
Exchange Commission

and

Mr. James J. Todd, Securities Investigator
Mr. Francis X. Sileski, " "

CADWALADER WICKERSHAM & TAFT, ESQS.,
Attorneys for Defendants,
Terence F. Gilheany, Esq., of Counsel.

Also Present:

Mr. Frederick Tilney, defendant
Mr. Robert Laidlaw

- - -

THE COURT: I think the Securities & Exchange Commission through its counsel called chambers yesterday and asked for this meeting, is that correct?

MR. BERSON: That is correct, your Honor.

THE COURT: Would you like to spread on the record the purpose of the meeting and what we hope to accomplish today?

MR. BERSON: Yes, your Honor.

The purpose of this meeting, your Honor, is to discuss a motion which the plaintiff Securities & Exchange Commission informed counsel for the defendants, Tilney & Company and Frederick Tilney, on Monday that the plaintiff Securities & Exchange Commission intends to move for the appointment of a receiver over the assets of the defendant Tilney & Company, a partnership, and the defendant Frederick Tilney, the only general partner of that partnership.

This was as a result of two actions which had been filed by the Commission against the named defendants. The first one was filed back in August of 1967, wherein the Commission alleged violations of the bookkeeping rules and the financial reporting requirements of the Commission.

The defendant Tilney & Company's books and records, as inspected by our Securities Investigator, were not posted beyond October 31, 1966. As a consequence we could not ascertain the financial condition of Tilney & Company on a current basis.

In addition, the defendant Tilney & Company did not file with us a certified financial report of its condition as it is required to do under the Securities & Exchange Act.

Consents were obtained to a permanent injunction and a mandatory order compelling the defendants Tilney & Company to file with the Commission such a financial report.

The defendants Tilney & Company did comply with that order on October 5, 1967, I believe, did file with the Commission such a certified financial report.

As a result of an analysis made by our Securities Investigator of that report, it reflected that as of August 9, 1967, the date on which the books and records of Tilney & Company were posted in some sort of fashion, and the date on which Tilney & Company's certified public accountant was able to give

his opinion as to the financial condition of the registrant, it reflected that defendant Tilney & Company needed approximately $650,000 to comply with the Commission's "Net Capital Rule."

Subsequent to our analysis of that report, which was approximately in October, 1967, the defendant Tilney & Company was able to reduce that amount of capital required to comply with the "Net Capital Rule" by approximately $400,000, as a result of having received novation agreements with two banks on what we call bond repurchase agreements.

The banks did execute the novation agreements, therefore the liability of Tilney & Company to comply with the Net Capital Rule was reduced by $400,000 to roughly $250,000.

The Commission had authorized the staff of the New York office to make an application to this Court for the appointment of a receiver, and as early as approximately four weeks ago we informed counsel and Mr. Tilney of that direction from the Commission.

During these past four weeks we have given the defendants an opportunity to come up with either additional fresh capital to put into the firm

of Tilney & Company so that $250,000 would be added to the firm's capital so that it would meet the requirements of the Net Capital Rule.

In addition, if Tilney & Company could not come up with such funds we asked Mr. Tilney to present to us an orderly plan of liquidation wherein all the creditors of Tilney & Company can receive back their funds.

What initiated this particular action, your Honor, is that the Commission had received numerous complaints from various investors that they were either not getting paid credit balances that were due them, or having received checks from the defendant Tilney & Company, such checks bounced, or securities bought for such customers by the defendant Tilney & Company were not delivered to them on demand.

After our analysis, your Honor, of Tilney & Company's net capital position on November 28th, the Commission filed another complaint for violations of the "Net Capital Rule."

Previous to the filing of that complaint defendant Frederick Tilney submitted to the Commission

a recomputation of his capital as he computed it.

The Commission staff then analyzed that recomputation of capital and checked it back to the books and records.

We found on a second analysis, on a preliminary basis, that Tilney & Company, as of November 17, 1967, needed roughly $292,000 to comply with the Commission's "Net Capital Rule."

When you look closer at those figures, your Honor, $200,000 of that $292,000 consists of what we call the haircut on proprietary securities; the balance of some 92-odd thousand dollars is what the Commission calls the net capital deficit.

Mr. Tilney has informed us in several meetings with him that he has been able to come up with fresh capital to the extent of some $76,000. That would reduce the net capital deficit to approximately $16,000, and when you add the proprietary securities, the haircut of $200,000, he would need approximately $216,000 to comply.

As far as we know as of this moment, your Honor, the defendant Tilney & Company and Frederick Tilney have been unable to come up with that sum of money, $216,000.

Upon consultation with counsel for Tilney & Company on Monday of this week, after I informed them that the Commission intended to move for a receiver in this action, counsel for Tilney & Company came up with an alternative solution, and at this point, your Honor, I would like to turn it over to Mr. Gilheany, who will present to you that solution.

MR. GILHEANY: Your Honor, the alternative solution that we suggested for the expeditious and economical solution of this problem -- we do not object to the appointment of a receiver, but we would like to suggest to your Honor, if we may, a person who we believe would do the most efficient possible job as receiver.

We informed the Commission that if this receiver could be appointed we would have no objection and would consent to a judgment of injunction and appointment of a receiver, as the Commission did not indicate that they were going to oppose us on this application to your Honor.

THE COURT: I want to be crystal clear whether I understand the plan that you are proposing.

Of course, I think we are using the

THE COURT: Why don't you step out?

MR. GILHEANY: All right, your Honor.

(Short recess.)

MR. GILHEANY: Your Honor, the first inquiry that Mr. Tilney was going to make and that I was going to make as well, is with regard to the time-table for the receivership.

As I believe Mr. Berson pointed out, there has been a complete freeze on the assets of the partnership, and Mr. Tilney individually, for the last four months, which has not improved the financial position of either defendant, as you can imagine, and we are eager to begin the process or continue, as the case may be, of liquidation and of marshaling the assets and paying off the debts.

THE COURT: How soon would you want a receiver appointed?

MR. GILHEANY: As soon as possible, your Honor.

THE COURT: As soon as the order is received here and before I insert the receiver's name I shall immediately communicate both with the Commission and with your office and indicate the receiver I have decided upon.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

U.S. DISTRICT COURT FILED DEC 18 1967 S.D. OF N.Y.

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-against-

TILNEY & COMPANY,
FREDERICK TILNEY

Defendants.

67 Civil Action
File No. 4676

CONSENT JUDGMENT OF PERMANENT INJUNCTION AND CONSENT TO APPOINTMENT OF A RECEIVER

On motion of the plaintiff, Securities and Exchange Commission herein and upon the Complaint in this action having been filed on the 28th day of November 1967 and all other papers and prior proceedings herein as well as in another action instituted by plaintiff, Securities and Exchange Commission (67 Civil Action File No. 3153), and without admitting or denying the allegations of the Complaint herein, and it appearing that unless the defendant Tilney & Company and the defendant Frederick Tilney are enjoined, and unless a Receiver of the assets of the said defendants is appointed, violations by the defendants of Section 15(c)(3) of the Securities Exchange Act of 1934, 15 U.S.C. 78o(c)(3) and Rule 17 CFR 240.15c3-1 thereunder will continue, and that immediate and irreparable injury, loss and damage will result to members of the investing public and other brokers and dealers in securities, it is hereby

MICROFILM
DEC 18 1967

ORDERED, ADJUDGED AND DECREED that the defendant Tilney & Company and the defendant Frederick Tilney and their agents, servants, employees and those persons in active concert or participation with them, and each of them, be and they are hereby permanently enjoined from:

Directly and indirectly making use of the mails or of the means or instrumentalities of interstate commerce while defendants Tilney & Company and Frederick Tilney are registered brokers and dealers in securities, to effect any transactions in or to induce or attempt to induce the purchase or sale of a security (other than an exempt security commercial paper, bankers' acceptance or commercial bills) otherwise than on a national securities exchange:

(1) While and at a time when the aggregate indebtedness of defendant Tilney & Company to all other persons exceeds two thousand (2,000) per centum of its net capital, as defined by Rule 17 CFR 240.15c3-1 ("Net Capital Rule"), under Section 15(c)(3) of the Securities Exchange Act of 1934, 15 U.S.C. 78o(c)(3); and

(2) while and at a time when the adjusted net capital of the defendant Tilney & Company is less than the minimum of $5,000 as required by the Net Capital Rule

AND IT IS FURTHER ORDERED, that the defendant Tilney & Company and the defendant Frederick Tilney individually, and their assignees, principals, agents, servants, employees,

attorneys, depositories, banks, and those persons in active concert or participation with them, except the Receiver herein appointed and his successors, be and they are hereby restrained from, directly or indirectly, transferring, receiving, changing, selling, pledging, assigning, or otherwise disposing in any manner the securities or any assets or other property of the said defendants or any monies for other properties belonging to others in the possession, custody or control of the said defendants

AND IT IS FURTHER ORDERED, ADJUDGED AND DECREED that Joseph C. Hogan and William Harris Esqs. be, and is hereby appointed Receivers of all assets and property of, belonging to, or in the possession, custody or control of the defendant Tilney & Company and the defendant Frederick Tilney individually, and that the said Receiver is hereby authorized, empowered and directed to have full power to marshal such assets and property, prosecute all claims, choses-in-action and suits in equity on behalf of the said defendants, to collect and take charge of all and singular thereof and to liquidate the estate of said defendants in order to pay all just claims and all creditors of the said defendants. The Receiver is hereby authorized and empowered to employ such

attorneys, accountants, technical experts and other employees as may be necessary in discharging the above authority.

AND IT IS FURTHER ORDERED, ADJUDGED AND DECREED that nothing herein contained shall be construed to limit or otherwise affect the power and authority conferred upon the Receiver appointed herein by law and the foregoing provisions of this order.

The Receiver shall file a bond satisfactory to the Court in the amount of $50,000.00.

David N. Edelstein
UNITED STATES DISTRICT JUDGE

Dated: New York, New York
December 18 1967

JUDGMENT ENTERED 12/18/67
John J. Cleary Jr
CLERK

CONSENT

I, FREDERICK TILNEY, individually and as senior partner and representative for Tilney & Company, a broker and dealer in securities registered with the United States Securities and Exchange Commission ("Commission"): (1) acknowledge the fact that I am represented by counsel herein; and (2) admit the jurisdiction of this Court.

Frederick Tilney and Tilney & Company consent to the entry, without further notice, and without admitting or denying the allegations of the Commission's Complaint of November 28, 1967, of a Judgment of Permanent Injunction enjoining Frederick Tilney and Tilney & Company, their agents, servants, and employees from further violations of Section 15(c)(3) of the Securities Exchange Act of 1934, 15 U.S.C. 78o(c)(3) and Rule 1[illegible] CFR 240.15c3-1 thereunder.

In addition, Frederick Tilney, individually and as senior partner and representative for Tilney & Company, being represented by counsel, also hereby consent to the appointment of a receiver of the assets of Tilney & Company and Frederick Tilney.

No tender, offer, promise of reward of any kind whatsoever has been made by plaintiff Commission, or any member, officer, agent or representative thereof, in consideration for this Consent.

TILLEY & COMPANY
BY: FREDERICK TILNEY

FREDERICK TILNEY

Cahwalader, Wickersham & Taft
COUNSEL FOR TILNEY & COMPANY

Dated: New York, New York
December 6 1967

ACKNOWLEDGMENT

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 6TH day of December, 1967, before me personally came FREDERICK TILNEY, to me known to be the individual described herein, and who executed the foregoing Consent, and he duly acknowledged to me that he executed the same.

NOTARY PUBLIC

JAMES G. VELEZ
Notary Public, State of New York
No. 31-4002700
Qualified in New York County
Commission Expires March 30, 1969

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,	:	
Plaintiff,	:	67 Civ. 4676
-against-	:	
TILNEY & COMPANY, FREDERICK TILNEY,	:	STIPULATION DISMISSING APPEAL
Defendants.	:	
(I. ALAN HARRIS and JOSEPH C. HOGAN, Receivers of Defendant Tilney & Company)	:	

No Record having ever been filed and docketed with the Court of Appeals for the Second Circuit; and

WHEREAS this Court by order of Honorable David N. Edelstein, District Judge, dated December 18, 1967, did enter a Consent Judgment of Permanent Injunction permanently enjoining, inter alia, Marine Midland Grace Trust Company of New York (hereinafter "Marine Midland") from disposing of collateral pledged to said bank for a loan by defendant Tilney & Company; and

WHEREAS by the terms of said order the Receivers of Defendant Tilney & Company are, among other things, authorized, empowered and directed to liquidate the estate of Defendant Tilney & Company in order to pay all just claims and creditors of said Defendant; and

WHEREAS Marine Midland, on January 8, 1968, did file in this Court a Notice of Appeal to the United States Court of Appeals for the Second Circuit from the Consent Judgment of Permanent Injunction dated December 18, 1967; and

WHEREAS by virtue of the sale of certain securities belonging to Defendant Tilney & Company effected by its Receivers and on instructions received by Marine

Midland from said Receivers of Defendant Tilney & Company, said loan of Tilney & Company has been fully paid as to principal and interest, and Marine Midland has delivered the surplus collateral to the Receivers of Tilney & Company;

IT IS HEREBY STIPULATED AND AGREED, by and between the undersigned, pursuant to Rule 73(a) of the Federal Rules of Civil Procedure, that the appeal by Marine Midland Grace Trust Company of New York to the United States Court of Appeals for the Second Circuit be, and the same hereby is, dismissed as moot.

Dated: New York, New York
February 15, 1968

SULLIVAN & CROMWELL

By EDWARD W. KEANE
(A Member of the Firm)

Attorneys for Appellant,
Marine Midland Grace Trust
Company of New York

SECURITIES AND EXCHANGE COMMISSION

February 16, 1968 By Robert M. Baum

CADWALADER, WICKERSHAM & TAFT

February 16, 1968 By JOHN J. O'GRADY III
(A Member of the Firm)

Attorneys for Defendants,
Tilney & Company and
Frederick Tilney

WAGNER, QUILLINAN & TENNANT

February 16, 1968 By Robert A. Benisch

Attorneys for I. Alan Harris and
Joseph C. Hogan, Receivers of
Tilney & Company

SO ORDERED:

U.S.D.J.

B. BERNARD GREIDINGER & COMPANY

February 26, 1968

Messrs. I. A. Harris and J. C. Hogan,
Receivers For Tilney & Company
C/o Livingston, Livingston & Harris
292 Madison Avenue
New York, N. Y.

Gentlemen:

In preparation for the meeting with Judge David N. Edelstein on February 27, 1967 regarding the affairs of Tilney & Company, we have prepared the following schedules for review and discussion:

Tentative Summary of Liquid Assets and Liabilities
Cash in Bank- February 26, 1968
Summary of Cash Transactions - December 18, 1967 to February 26, 1968
Notes Payable to Bank - February 26, 1968
Schedule of Accounts Payable - General Unsecured - December 17, 1967

All of the above are subject to audit and direct verification.

Very truly yours,

/S/ B. BERNARD GREIDINGER COMPANY

B. BERNARD GREIDINGER & COMPANY

I. A. HARRIS AND J. C. HOGAN, RECEIVERS FOR
TILNEY & COMPANY (1)

Tentative Summary of Liquid Assets and Liabilities
To Outside Interests
February 26, 1968

	Total	Secured or Offsets	Priority	Unsecured
Liquid Assets:				
Cash in banks (includes checks awaiting deposit) (schedule)	$ 40,841	$ 9,754	$ -	$ 31,087
Due on sales of securities	2,525	-	-	2,525
Marketable securities held by banks	589,062	589,062	-	-
Marketable securities on hand (includes $54,000 applicable to Frederick Tilney personally)	229,508	-	-	229,508
Cash value life insurance (less applicable loan)	1,330	-	-	1,330
	863,266	598,816	-	264,450
Excess applied to priority and unsecured	-	(99,996)	2,500	97,496
	863,266	498,820	2,500	361,946
Liabilities to Outside Interests:				
Notes payable - banks (schedule)	492,000	492,000	-	-
Payroll taxes - approximate	2,500	-	2,500	-
Accounts payable (schedule)	42,797	-	-	42,797
Due to customers - cash balances	61,868	-	-	61,868
Due to customers - securities (approximate)	180,000	6,820	-	173,180
	779,165	498,820	2,500	277,845
Excess	$ 84,101	$ -	$ -	$ 84,101

(1) Excludes affiliated companies, Governmental Statistical Corporation, Frederick Tilney Co., Inc., Tilney Construction Corporation, and Frederick Tilney, personal (except as indicated under securities on hand above).

I. A. HARRIS AND J. C. HOGAN, RECEIVERS FOR
TILNEY & COMPANY

Cash In Bank (1)
February 26, 1968

	Total	Subject to Loans and Offset	Unrestricted
Manufacturers Hanover Trust Company			
Checking account #028249	$31,069	$ -	$31,069
Checking account for Frederick Tilney, personal.	18	-	18
Matanuska Valley Bank			
Business account	1,386	1,386	-
Customers account	993	993	-
Certificate of deposit	7,000	7,000	-
Franklin National Bank			
Checking account	375	375	-
	$40,841	$ 9,754	$31,087

(1) All accounts are unaudited and subject to verification.

I. A. HARRIS AND J. C. HOGAN, RECEIVERS FOR
TILNEY & COMPANY

Summary of Cash Transactions
December 18, 1967 to February 26, 1968

	Total	Manufacturers Hanover Trust Company	Chase Manhattan Bank	National Bank of North America	Irving Trust Company	Matanuska Valley Bank	National Bank of Alaska	Franklin National Bank	Marine Midland Grace Trust Company	Long Island National Bank
Cash at Beginning - December 17,1968.	$11,040	$ -	$ 492	$ 23	$ 15	$ 9,379	$ 646	$ 375	$ 110	$ -
Bank accounts closed	-	1,017	(334)	(16)	(19)	-	(648)	-	-	-
Fred Tilney personal accounts closed.	18	18	-	-	-	-	-	-	-	-
Dividends received	3,105	3,105	-	-	-	-	-	-	-	-
Interest received	7,000	2,000	-	-	-	-	-	5,000	-	-
Proceeds-sale of securities	152,884	23,709	-	-	-	-	-	-	89,892	39,283
Proceeds of sales, etc. withheld by banks as offsets	(134,175)	-	-	-	-	-	-	(5,000)	(85,892)	(39,283)
Proceeds of cash value of life insurance applicable to Governmental Statistical Corp. applied - Cash deposited	1,238	1,238	-	-	-	-	-	-	-	-
Applied to Long Island National Bank for loan principal and interest - $40,519	-	-	-	-	-	-	-	-	-	40,519 (40,519)
Applied to Creditors of Governmental Statistical Corp. - Marine Midland - $1,941, Edward Schroeder - $450										
Account changes and differences - unaudited	(269)	-	(158)	(7)	4	-	2	-	(110)	-
Cash in Banks - February 26, 1968	$40,841(1)	$31,087	$ -	$ -	$ -	$ 9,379(2)	$ -	$ 375(2)	$ -	$ -

(1) All bank balances are unaudited and subject to verification. Excludes Frederick Tilney's personal transactions.

(2) Subject to bank loans and offsets.

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I. A. HARRIS AND J. C. HOGAN, RECEIVERS FOR
TILNEY & COMPANY

Notes Payable to Bank
February 26,1968

Bank	Interest Rate	Maturity	Interest and Principal (Approximate)	COLLATERAL Description	Approximate Market Values at 12/17/67 (4)	Excess Available For General Claims
Matanuska Valley Bank	8%	Demand	$ 69,000	Marketable securities	$ 90,000(2)	$ 21,000
Franklin National Bank	6%	Demand	358,000	Marketable securities	378,210(3)	20,210
Long Island National Bank	6%	Demand	65,000	Marketable securities	120,852(1)	55,852
			$492,000		$589,062	$ 97,062

(1) Excludes $59,000 face amount debentures of Governmental Statistical Corporation, 7-1/2% interest due 1969.

(2) Excludes 5,584.4 - 7% City Commerce debentures due 7/1/71 valued at $42,887 and City Commerce common stock valued at $13,854 in which Tilney & Company makes a market in these securities.

(3) Includes securities of Tilney & Company valued at $173,000.

(4) Many securities included herein are thinly traded.

I. A. HARRIS AND J. C. HOGAN, RECEIVERS FOR
TILNEY & COMPANY

Schedule of Accounts Payable - General Unsecured
December 17, 1967

Name and Address	Comments	Amount
American Telephone (long lines) 330 Madison Avenue New York, N. Y. 10017	Telephone	$ 2,207.80
Appeal Printing Company 130 Cedar Street New York, N. Y. 10006		26.25
Louis D. Blum & Company 110 East 42nd Street New York, N. Y. 10017	Accounting	12,272.03
Bridge Auto Service 23 Ludlam Avenue Bayville, L.I., New York		299.05
Cadwalader, Wickersham & Taft 1 Wall Street New York, N. Y. 10005	Legal	13,435.69
City of Anchorage P.O. Box 400 Anchorage, Alaska 99501		32.28
City Commerce Corporation Crawford Building Anchorage, Alaska 99501		88.52
Chase Office Supplies, Ltd. 299 Front Street New York, N. Y. 10038		80.19
1929 Communications Group (ACS) United States Air Force 550 Federal Office Building Seattle, Washington 98104	Teletype	8,112.93
Friden, Inc. 2350 Washington Avenue San Leandro, California 94577		12.34

Gustave Fielitz, Inc. 56 E. Barclay Street Hicksville, L.I., N.Y.	Auto body repairs	$ 53.55
Irving Trust Company 1 Wall Street New York, N. Y. 10005	Rent	2,140.25
Long Island Commercial Review 3 Fairchild Court Plainview, L.I., N.Y. 11083		2,070.21
Moody's Investors Service, Inc. 99 Church Street New York, N. Y. 10007		319.20
National Quotation Bureau, Inc. 46 Front Street New York, N. Y. 10004		195.30
Nordam Cleaning Contractors, Inc. 55 West 35th Street New York, N. Y. 10001		90.00
Prudden's Digest Box 957 New York, N. Y. 10019		50.00
Remington Rand Office Machines P.O. Box 548 Buffalo, New York 14240		299.46
Standard & Poor's Corporation 345 Hudson Street New York, N. Y. 10014		20.10
Xerox Corporation P.O. Box 2487 Church Street Station New York, N. Y. 10008		504.81
City Commerce Corporation Crawford Building Anchorage, Alaska 99501	Rent	487.00
		$42,796.96(1)

(1) Accounts payable subsequent to August 9, 1967 were assumed by Tilney & Co., Inc. and Governmental Statistical Corporation and are not included herein.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES & EXCHANGE COMMISSION,

Plaintiff,

vs.

67 Civ. 4676

TILNEY & COMPANY and FREDERICK TILNEY,

Defendants.

Before:

HON. DAVID N. EDELSTEIN,
District Judge.

New York, February 27, 1968;
10.30 o'clock a.m.

APPEARANCES:

ROBERT M. BERSON, ESQ. and
JOEL HELD, ESQ.,
Attorneys for Securities & Exchange Commission.

CADWALADER, WICKERSHAM & TAFT, ESQS.,
Attorneys for Defendants;
William N. Clarke, Esq., of Counsel.

I. ALAN HARRIS, ESQ., and
JOSEPH C. HOGAN, ESQ.,
Receivers.

WAGNER, QUILLINAN & TENNANT, ESQS.,
Attorneys for Receivers;
Robert Benisch, Esq., of Counsel.

Also Present:

Mr. Greidinger
Mr. Klein
Mr. Tilney
Mrs. Tilney
Mr. Laidlaw

- - -

THE COURT: Gentlemen, I have called you into conference this morning for the purpose of obtaining a status report and discussion of any problems which may have arisen which you would like to call to my attention, and I think the first order of presentation, of course, should be undertaken by the receivers.

Is Mr. Alan Harris going to present it?

MR. HOGAN: I will defer to Mr. Harris, your Honor.

MR. HARRIS: Well, the most significant things that were done, your Honor, were attempting to liquidate securities, particularly those held by bank pledgees, in the light of the opposition that had been placed to the injunction against the bank pledgees, restraints, and I might say that we were

fortunate in that Marine Midland Grace Trust Company of New York has been completely paid in full through the sale of, primarily, a very substantial block, although it was sold piecemeal, of Bank of Suffolk County, a very inactive bank stock.

It was sold, I believe, without affecting any market for the stock at all. It was sold with the cooperation of Mr. Tilney, of course, who has cooperated in all respects with the receivers.

And the notice of appeal that Sullivan & Cromwell, on behalf of Midland, had served and filed, has been discontinued or dismissed, or it was stipulated that it was withdrawn, that the appeal was withdrawn.

Now, the excess collateral and the cash that Marine Midland thus had was obtained by the receivers - and, incidentally, without any expense payable to Sullivan & Cromwell, over the opposition of Marine Midland.

Similarly, Bankers Trust Company, we believe -- there may be a dollar or two either way -- we believe they are paid off. It is a matter of collecting the cash based upon our instructions to them to delivery securities to other banks against

the payment. Bankers Trust will be paid off.

Franklin National, unfortunately, holding municipal bonds and with minor holdings of common stock, very minor, there is going to be some problem -- I say "problem" in that we are not going to be perfect in our liquidation efforts there because of the nature of the securities held by them, the municipal bond market being a much more volatile market than the normal common stock market. When you go to sell municipal bonds you have to go looking for a buyer. There is nobody maintaining any bid for this type of securities.

THE COURT: What type of municipal bonds are you talking about?

MR. HARRIS: Well, we have the Central School District of the State of New York, which will be the most easily marketable, depending upon whether you are willing to accept perhaps a nine or a ten point less bid than what one might otherwise think it is worth in the light of today's money market.

But in addition to the Central School District Bonds of New York you have Fairbanks, Alaska obligations - this is in decreasing order

of marketability -- and then we wind up with, unfortunately, debentures or bonds of Alaska State Development Corporation. Those will, of course, be the most difficult to sell. They are salable at a price. The question is, up until this moment we felt it unwise to sacrifice these particular securities.

Now, I think we are at the point where we will be and must begin to think very seriously about perhaps dropping our sights on the prices that we will receive for these things.

We have been in touch with Blyth & Company with a view towards getting an overall bid for these securities, and before the end of the week they may be discussed with Dupont & Company, and we will be conferring again this afternoon with Mr. Tilney and Mr. Laidlaw who are familiar day to day with the bond market, and decisions will be made perhaps before the end of this week on the liquidation of those securities.

Now, the Long Island National Bank, which is another pledgee bank --

THE COURT: The Long Island National?

MR. HARRIS: Long Island National in

Hicksville. There, if you will see, there is another schedule there where they had a loan to Tilney & Company secured by the usual run of the securities maintained by Tilney & Company, and they also had a loan to Governmental Statistical Corporation, about which I would like to discuss a little later, this problem of Governmental Statistical, an affiliated corporation. Long Island National has been paid down considerably --

MR. HOGAN: About $60,000.

MR. HARRIS: If you will look at that schedule you will see all of the stock of the Bank of Suffolk County has been sold, Bank of Babylon - if that is on that schedule -- excuse me, do you have a schedule I can look at?

MR. HOGAN: The Judge has it in front of him. I think they are marked off on here.

THE COURT: Well, they are not all marked off.

MR. HOGAN: No, just the ones that are sold.

THE COURT: The Bank of Babylon is not marked off.

MR. HOGAN: That is still in the process.

(Discussion off the record.)

MR. HARRIS: The Valley National Bank stock was sold; First National Bank, Yonkers, was sold; Bank of Babylon sold --

THE COURT: Not all of Bank of Babylon was sold, was it?

MR. HARRIS: Yes.

THE COURT: They were all sold?

MR. HARRIS: Yes. The Bank of Suffolk County was sold, which shows here as having been done already.

Now, in addition to which, Long Island National Bank held as collateral for Tilney & Company $89,000 of 7-1/2 percent notes issued by Governmental Statistical Corporation, which name has been mentioned twice by me.

Governmental Statistical Corporation is owned -- is it almost completely by Frederick Tilney?

MR. TILNEY: No, it is owned by Mrs. Tilney, myself, Mr. Edward P. Schroeder, vice president, and an attorney --

THE COURT: Vice president of Tilney?

MR. TILNEY: No, not of Tilney; of

Governmental Statistical itself -- and by Tilney & Company, some of the stock, and a few minority stockholders.

MR. HOGAN; The total is what?

MR. TILNEY: 4400 -- I owen 1600; Tilney & Company owns a thousand, and, Dorothy, you own about eight or nine hundred, and Ed owns the balance.

MR. HARRIS: The overwhelming majority is owned directly by the estates, but aside from the question of common stock ownership, and the reason why we are not familiar with down to the last percentage point is that Tilney & Company is the overwhelming creditor, not stockholder but creditor of Governmental Statistical. It is a creditor to the tune of over half a million dollars.

And as against such a creditor, Governmental Statistical has one other noteholder, Mr. Ed Schroeder, of $4,000, compared to hundreds of thousands of dollars due to Tilney & Company, and it has, of course, some trade creditors who are using that term to describe it, the Telephone Company, outside publishers, the normal run-of-the-mill creditors who will be created from day to day.

Now going back to Long Island National

Bank which held as security for Tilney & Company's loans $89,000 of 7-1/2 percent notes of Governmental Statistical Corporation, owned by Tilney, pledged with Long Island.

Marine Midland also previously held $11,000 of such Governmental Statistical Corporation 7-1/2 percent notes, but as I indicated before, Marine has been paid in full, the notes released to us.

Now, Governmental Statistical was in default on the interest on these notes and in default on the sinking fund obligations under these notes, and it engaged in a transaction with not just the approval of the receivers, but, in effect, for all intents and purposes, we are almost acting as receivers of Governmental Statistical to the extent of exercise of custody and control of the situation.

But Governmental Statistical borrowed against life insurance policies which it owned, which policies were on the lives of its key men, all of its employees, and which key men insurance was always, by the terms of the notes themselves, security for the notes. In the event of the death of any key man the proceeds would have been paid

to the sinking fund agent who would, in turn, have redeemed the earliest numbered notes.

So the transaction was that it borrowed against the cash value some $42,000 of this aggregate number of policies.

The proceeds were used to bring the interest up to date, which meant that the receivers received directly interest on $11,000 of notes for the last - bringing it up to date.

Long Island National, by virtue of its pledgee position of $89,000 worth of those notes, received almost $10,000 of past due interest which was applied in reduction of Tilney & Company's loan, and Mr. Ed Schroeder, of course, received his past due interest on his $4,000 of notes.

In addition to which excess moneys over $30,000 were used to redeem the earliest numbered notes of this series of 7-1/2 percent notes in accordance with the terms of the notes. These earliest numbered notes were held by Long Island National for Tilney & Company in pledge, and so Long Island National was further reduced in this loan by the $30,000 of principal amount.

As I say, we controlled the situation and spent time and effort on the thing.

Now, Marine Midland, which had previously been the sinking fund agent and custodian, and whatever other functions were required under the notes, has resigned from that position, and will no longer have anything to do with it, and there is really no need for an outside trust company, and now the notes -- well, not the notes, but the key men life insurance policies, although they are now pledged by virtue of the loans from Aetna Insurance Company are being held by Governmental Statistical itself, Mr. Fred Tilney, and so on.

Our problem with Long Island National is that in addition to this loan on Schedule 6, your Honor, which, as I say, has been further substantially reduced - further substantially reduced - Long Island National was also a creditor of Governmental Statistical directly, and they claim the benefit of certain cross guarantees.

This is something which has not yet been worked out, not yet completely; we don't see eye to eye with Long Island National yet.

At our last meeting -- at a meeting with

the vice president of Long Island National last Friday it got a little sticky, and he indicated that his counsel would have to come into the picture, which we are perfectly prepared to meet and discuss, and we will want to see all of the original documents, these cross guarantees and loan agreements and collateral agreements, and so on.

It was not too important at the moment to attempt to define once and for all to our satisfaction whether they have the benefit of cross guarantees or cross collateral agreements, because we are so vitally interested in Governmental Statistical by virtue of our creditor position there, that it is to our distinct advantage to certainly encourage Governmental to remain in existence, not in receivership, because that would be hampering its activities, in an attempt, of course, to realize as much as we can out of Governmental Statistical's operation, as a creditor of Governmental Statistical Corporation.

This is necessary also in connection with the problem of the City of Nome.

Now, before the receivership Tilney & Company had given an undertaking, an underwriting

to the City of Nome in connection with a proposed issue of water and sewer revenue bonds of the City of Nome to the effect that on the bid date that they would stand by and take down $910,000 worth of bonds with a 6 percent coupon.

Came the bid date -- I am skipping events in between -- this was last September, of 1967 -- there was no one to buy these bonds.

At this moment there is a possibility of this contingent liability to the City of Nome.

Incidentally, those bonds have still not been placed - neither issued nor placed, and the City of Nome is in default on its bond anticipation notes which it had sold in anticipation of paying them off at the end of September.

This liability, of course, was a very significant contingent liability, I believe, to the petitioner in this proceeding in their analysis of the affairs of Tilney & Company, because it is almost completely open end as to the damages that the City of Nome might have been able to claim.

Now, Governmental Statistical Corporation's business is that of fiscal adviser to municipalities

and school districts, et cetera. That is its business. And it had acted as the fiscal adviser to the City of Nome for three years prior to the bid date in connection with working up the whole proposition with the Federal Government's assistance -- and it is a federally assisted water system -- and would be entitled to 50 or $60,000 for its expenses in the past and its fees in connection with its advice on the bond issue, which, of course, it has not received from theCity of Nome. There is an affiliation between Tilney & Company and Governmental Statistical, as I have said.

If those bonds can be placed the City of Nome will be obligated to pay Governmental Statistical a minimum of some $50 pr $55,000, of which we are interested in, and we have indicated to Mr. Tilney and had some telephone conversations, or we have read correspondence and reviewed proposals; we have met with the City Manager of the City of Nome in the office of Mr. Clarke at Cadalwalder, Wickersham & Taft, acting as attorneys for Mr. Tilney, and there are proposals, propositions kicking around - to use the vernacular -in Alaska as to how all this can be

worked out to the ultimate benefit of the City of Nome and the credit of the State of Alaska and Governmental Statistical in getting a release for the estate of Tilney & Company from its possible liability.

I think at this point you have some idea of the overlap, the interrelationship between Governmental Statistical and the Estates of Tilney & Company and Fred Tilney; and while I have not finished the report yet, I wonder if this is not the time to get some commitment from Mr. Frederick Tilney as, presumably, the president -- and there is Mrs. Tilney here also -- of Governmental Statistical to the effect that we will - we, the receivers, will be allowed the authority to veto any out-of the - ordinary purchase or commitment activity of Governmental Statistical.

THE COURT: I think before we can invite any --

MR. HARRIS: Yes, yes, I agree with you. Perhaps I was premature. Perhaps at the end of today's meeting --

THE COURT: Let us reserve that for the

moment and let us continue with the report.

I was also going to say, and I probably think that it is appropriate to make the remark now, that before we indict Mr. Tilney to make anything in the nature of a commitment or a decision of any importance or significance, that it should be done only after he has consulted with his lawyer, if he chooses to do so, and I don't see his attorney here this morning --

MR. HARRIS: Yes.

MR. CLARKE: I am here, your Honor.

THE COURT: Oh, I am sorry. Why are you sitting so remote?

MR. CLARKE: I did not think I had any official capacity in the report of the receiver.

THE COURT: All right, that obviates one problem I might have had.

MR. HARRIS: I think your Honor is correct. I think I was being premature.

Now, there is another pledgee bank in the picture --

THE COURT: Have you left Governmental Statistical for the moment?

MR. HARRIS: Yes, for the moment, yes.

THE COURT: Well, in view of your statement that Governmental Statistical has had to default on its interest, I assume that it is fair to conclude that they have not been showing any profit.

MR. HARRIS: I would say that that is a fair statement.

THE COURT: Now, are you in a position to give some opinion about their possibilities of turning about and making a profit or continuing in business? What is their future?

Now, if they continue to run deficits that may pose or present a serious problem at some point along the way. What are their assets? Are they dissipating them? Are they engaged in business which has no real promise, and will whatever assets they have eventually be wasted? And in view of the substantial creditor position that Tilney occupies, what consideration has been given to the possibility that at some point, if not precisely now, there may have to be some undertaking to conserve whatever assets they do have?

I don't know what their assets are, if any, because I have gathered from your brief remarks concerning Governmental Statistical, that it is

purely a service corporation.

MR. HARRIS: Yes.

THE COURT: They are financial advisers, isn't that correct?

MR. HARRIS: Yes.

THE COURT: Do you have their financial picture?

MR. TILNEY: Here, Alan (handing).

MR. HARRIS: Well, we are not prepared to give a full blown report on Governmental Statistical. Our accountants, I believe, or auditors have not yet gotten into Governmental, but Mr. Tilney, I believe -- I don't want to preclude him -- I believe has consented to the withholding of no information concerning Governmental or any other affiliates which we may run across. He has cooperated to the fullest here, and the books will be open, and he will give information to our auditors, and we will be in a better position in the next few weeks, your Honor, to make a recommendation with respect to whether Governmental shall continue or not.

This has been a subject of discussion generally, and I will say at this moment a very significant thing is that their quarters at 1 Wall

Street has been vacated. Thus the burden of approximately $1000 rent to Irving Trust Company, the landlord, has ceased.

MR. TILNEY: And they have rented the space.

MR. HARRIS: And we understand that they have rerented the space, and therefore we are not concerned at all with damages for unoccupied space in the future.

This also -- and this gets down into the nitty-gritty -- Mr. Tilney recognized that even the transportation cost for himself and Mrs. Tilney, who is active in the secretarial and clerical and bookkeeping work, this was also additional expense, coming in from the Oyster Bay area of Long Island each day.

Now, Governmental Statistical owns land and a building in Hicksville, and always maintained an office there, and that is where the office has been moved to.

And we have also moved under a padlock, a footlocker padlock and files padlock the records which belong to the receiver until we can continue and finish our analysis of all these thousands of

pieces of paper and confirmations.

And so the rental expense is terminated.

Governmental Statistical has Mr. Laidlaw as an employee. The girl has been discharged or let go.

In Alaska -- well, this is a problem that Mr. Tilney -- this is something that is currently up for discussion among us, among the receivers and Mr. Tilney, whether the two employees, the two employees in Alaska --

MR. TILNEY: Three.

MR. HARRIS: Three?

MR. TILNEY: Yes.

MR. HARRIS: -- whether he requires all these employees.

However, at the moment we are so interested, we have so many assets which are securities of Alaskan corporations, bank and bank holding companies, that we have been making use of the presence of these people in Alaska. We have transfers to effect and we have bids to solicit - which now brings us up to another area - that we felt that we could justify allowing Governmental to continue for this period of time and for the immediate future.

contract -- is $110,000.

However, it is to a person who proposes to build homes on a subdivision basis, and the customary procedure is a modest amount of cash, relatively short term mortgage with release clauses per lot. But it is $110,000. Even after commissions it will be $104,000 or $103,000.

Now, this will inure to the benefit of the Frederick Tilney Estate, because Frederick Tilney advises us -- and again I must say that our auditors have not had a chance yet to dig into and to certify -- or not necessarily certify, but to come up with any real opinion as to whether these statements are a hundred percent accurate -- but Mr. Tilney advises us that he is a creditor -- in addition to a 94 percent stockholder he is a creditor of Tilney Construction Corp., have advanced funds over the years to pay the real estate taxes and other expenses of Tilney Construction Corp. of $38,000.

MR. TILNEY: It is more than that, Alan. I reviewed it last night, and it is $55,000 with $11,600 due to Governmental.

MR. HARRIS: Of the 55 or in addition?

MR. HARRIS: 5-1/2 percent of the outstanding stock, some of which as part of the block might be owned by Dorothy Tilney, but when we were talking, as Mr. Tilney has indicated, if it meant selling the whole block and the larger the block the larger the price, Mrs. Tilney's stock would be thrown in also.

Unfortunately the winter is not the time to talk to persons of consequence. You find out they are down in Palm Beach or somewhere on a cruise and they will be back in March, and so on.

That is the situation, where it is very inactive; and it has been put on the back burner, so to speak, for our consideration.

We first wanted to get rid of those which I have related before. But this is coming up for consideration very strenuously with Blyth, Dupont, Mr. Tilney and the others, as will be a bank called the Waddington Bank. Now the Waddington Bank is some 15 miles from Messina, New York, which is about as far and as cold as you can get in the State of New York, and its total resources are $1,500,000. Total resources, $1,500,000.

There it is unfortunate that even in the aggregate the whole holding by the estates in dollar amount is not as valuable as the Alaska State Bank, for example. But there perhaps we can turn over control of the bank, but it is such a small institution -- and this is something that has been shown and is something that we intend to look into very seriously, although we may realize not much more than 50 to 80 thousand dollars, if that, out of the whole thing. It is a very small bank, total resources of a million and a half. And it has its problems too.

I analyzed, I looked at the statement which I did receive from the president, which is just a typed sheet of paper, a comparative -- it wasn't even a balance sheet -- and I can see -- Mr. Tilney helped explain to me that they were still in the process of substantial - for the size of that bank - substantial write-offs of loans which should have been written off before, but it spread the write-off up through last year, reducing its reserve for losses considerably.

I certainly intend to make the trip up there and to look more carefully into it, because I

and the SEC comments; and, two, matters relating to problems and policy or any other matters that you would like to discuss.

MR. HARRIS: I see.

THE COURT: Does the SEC wish to add anything?

MR. HELD: Not at this time, your Honor.

MR. HOGAN: I think, Judge, with reference to the customer accounts the Court should be apprised of the fact that they kept a pretty accurate stock record book in Tilney & Company, and from the stock record book you can see who allegedly owned the securities, and also, of course, you can check the securities for X dividend dates. The only thing I think our accountants wanted to do is check the records, the other records, the record of confirmations as against the stock record book, but I don't think that it will be too much of a problem.

MR. KLEIN: No. We have been engaged in these phases as the receivers had set down on earlier meetings at the location tracing in dividends, tracing in references of any securities on hand to those that are owing to customers, and also the verification notices that did go out to customers in order to ascertain their legal status and as a guide in any future

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picked up by the liquidation of bank loans, I have a total value of $614,000. From which I have eliminated all obligations or stock of Governmental Statistical Corporation, and taking out531, leaving $83,000.

I have delivered my own securities, less $100 which the receivers will have to pay, from Bankers Trust, and also the free securities that I had at the time, and these have a total value, with the sale of real property that is coming through, of 271,000.

Then again stripping out everything I come up with $110,000, adding up to $193,000.

The equity in the bank loans as I see them will amount to $148,000. So we are now talking about $350,000 of liquid securities against which are the general creditors' 43,000, 46,000, plus the customers' accounts, so it seems to be about $100,000 excess before you even go into the fixed assets.

I can't quite follow the other arithmetic, but possibly if I could submit to the Court my own analysis of the situation and point out how things are moving I think we might be able to get along. But if we keep delaying the thing it is going to waste the estate, and I don't propose to waste it any longer.

We have been under wraps since February two

years ago when the banks began to clamp down on our loans and began to do everything they could to throw us out of business, and Mr. Kenney started to do everything he could against us, possibly at the behest of some of the banks.

I am getting to the point now we are getting kind of worn out.

THE COURT: What is your suggestion?

MR. TILNEY: I would like to submit a plan of immediate liquidation to the Court, with the help of my excellent receivers, and I would thank your Honor for appointing two very fine men. I think they understand my position and know how I feel. And with that proceed.

I have not even mentioned the Kenney obligation, which was a grievious one to us, $118,000 which we carried on our SEC statement of September 30, 1966, that Mr. Held agreed, as due by broker, because we received a communication from Mr. Kenney on that day asking to have the accounts closed and to have a statement of what was due. I don't know what you can do with that.

THE COURT: I certainly am not averse to any plan of liquidation, and the sooner the better under the circumstances.

MR. TILNEY: I think so. Because it is a

wasting situation the way it is now, sir.

THE COURT: Certainly I would suggest you submit your plan of liquidation to the receivers and let them review it.

MR. HARRIS: We have beeen liquidating, but I will be glad to consider anything further.

THE COURT: I think I understand what Mr. Tilney is attempting to say. He would like to pick up the pace of liquidation. Isn't that what you are trying to say?

MR. TILNEY: Pick up the pace and establish a program for completing it at the earliest practical moment.

THE COURT: All right.

MR. TILNEY: In other words, these gentlemen have done a fine job, I am going to assure you of that, but for two years I was strapped to the mast and I couldn't move. Every time I sold a security it went against a bank loan. I couldn't get liquidity. And I have a document which shows Mr. Clarke was present the day I met with the banks in June of 1966 where I showed a net cash deficiency of $40,000 and they told me to keep on operating. How was I going to do that?

THE COURT: What is the net dollars and cents liquidation the receivers have been able to effect?

MR. TILNEY: Total amount, $350,000.

THE COURT: In what period of time was that accomplished?

MR. TILNEY: You appointed them on the 18th, and we did have the Christmas holidays, so I would say 45 days.

THE COURT: I think they have shown a great deal of expeditiousness.

MR. TILNEY: I think theyhave done a great deal.

THE COURT: We also took advantage of firm markets.

MR. TILNEY: We did, and the bond market is not firm now.

THE COURT: Without attempting to bind the receivers, I would suggest any plan which is reasonable and sensible for the earliest liquidation or liquidation with dispatch certainly be given everyconsideration. Don't you agree?

MR. HARRIS: Absolutely.

MR. HOGAN: Fine.

I. ALAN HARRIS AND JOSEPH C. HOGAN, RECEIVERS FOR

Tilney & Company
and
Frederick Tilney

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December 17, 1967 and May 31, 1968

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B. BERNARD GREIDINGER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

1441 BROADWAY, NEW YORK
PENNSYLVANIA 6-7267

July 19, 1968

I. Alan Harris and Joseph C. Hogan, Receivers
Tilney & Company and Frederick Tilney
292 Madison Avenue
New York, N. Y.

Gentlemen:

In accordance with your request we have prepared the attached interim report as of December 17, 1967 and May 31,1968, and the intervening period of the receivership on the financial affairs of Tilney & Company (a partnership) and Frederick Tilney (an individual) in receivership by order of the United States District Court, Southern District of New York, dated December 18, 1967.

The scope and nature of our examination, while limited to the instructions of the receivers included (a) review and examination of the available books, records and related material of Tilney & Company and Frederick Tilney, and limited records of the affiliates, all of which were incomplete, lacking adequate explanation and in a non current state; (b) review, examination of all transactions of the receivership during the interim period covered by this report; and (c) consultation and review with the receivers and their counsel of the valuations to be assigned and the proper treatment to be accorded the very many questionable items included in the financial statements, as explained in the footnotes thereto.

Our examination did not include direct confirmation of obligations to customers and other creditors on instructions from the receivers. In lieu thereof, proofs of claims to be filed by creditors will be examined in the subsequent period.

Accordingly, to be fully informative the Exhibits and Supporting Schedules listed in the index should be read in conjunction with the footnotes to the financial statements.

In view of the above, we are precluded from expressing an opinion on the financial statements as a whole.

Very truly yours,

B Bernard Greidinger Company

I. ALAN HARRIS AND JOSEPH C. HOGAN, RECEIVERS FOR

Tilney & Company
and
Frederick Tilney

Notes to Financial Statements
December 17, 1967 and May 31, 1968

Note 1 - History of Receivership Proceedings

By order of the United States District Court, Southern District of New York, dated December 18, 1968, Tilney & Company, a partnership engaged as a securities broker-dealer, and Frederick Tilney, an individual and general partner of Tilney & Company, were placed in receivership. I. Alan Harris and Joseph C. Hogan were appointed receivers. The order followed a motion brought by the Securities and Exchange Commission on November 28, 1967 as a result of certain alleged financial and operating deficiencies which include violations of the "Net Capital Rule" under Section 15(c)(3) of the Securities Act of 1934.

Note 2 - Transactions With Related Persons

The records of Tilney & Company and Frederick Tilney relate to significant financial transactions with members of the Tilney family, which must be carefully reviewed. The ultimate treatment accorded these items can materially affect the position of other general unsecured creditors. Included in the financial report are references to transactions involving Dorothy Tilney, wife of Frederick Tilney and a limited partner of Tilney & Company; and the Tilney children consisting of Kathleen, Dorothy C. and Frederick, Jr.

With respect to transactions involving Dorothy Tilney, it has not been possible at this time to reconstruct what amounts, if any, she may be owing to Frederick Tilney. Some of the underlying transactions which should be considered in this regard are her interests in Tilney & Company and in other affiliates, interests in real property in Centre Island, New York and Alaska, interests in Frederick Tilney life insurance, transactions carried on in joint checking accounts, interest in certain securities, guarantees of loans by Long Island National Bank to Tilney & Company and Governmental Statistical Corporation, and other personal withdrawals.

Note 2 - Transactions With Related Persons (cont'd.)

With respect to the financial statement of Tilney & Company, we were informed that Dorothy Tilney was a limited partner to the extent of her investment of $2,500.00. The partnership agreement was not available for examination. Accordingly, advances received from Dorothy Tilney were tentatively treated in the financial statements, pending review by counsel, as amounts owing to her:

Unsecured liability:	
Contribution to partnership on August 9, 1967 31 shares National Bank of Alaska - valued at.....	$1,860.00
Cash advances - August 10, 1967 to December 17, 1967...	180.00
	$2,040.00
Liability during receivership:	
Payment of rent (from proceeds on deposit in joint checking account).....	1,200.00
Less cash drawn on Tilney & Company bank account to Dorothy Tilney after appointment of receivers.....	150.00
	$1,050.00

For further review by counsel is the return to Dorothy Tilney of 53 shares of Matinecock Bank stock which was registered in her name but was reflected in the account of Tilney & Company as a contribution to capital by Frederick Tilney (see Exhibit B) and stock dividend of 10 shares of National Bank of Alaska on contribution of August 9, 1967, stock which she received personally.

Included in the financial statements are the following amounts owing to the Tilney Children:

	Tilney & Company	Frederick Tilney
Customer accounts - details of security transactions were unavailable for review (Schedule 14).....	$29,058.40	$ -
Notes payable - gifts (Schedule 23)	-	95,680.00
Unpaid interest on notes.....	-	37,400.00
	$29,058.40	$133,080.00

Certain other minor cash transactions involve cash advances between Tilney & Company and the Tilney family members during and immediately preceding the receivership period.

Note 3 - Investment In and Receivable From Affiliated Companies

The investment in and receivable from affiliated companies, Tilney & Company and Frederick Tilney, representing in excess of 3/4 of a million dollars, are reflected in the accompanying financial statements at zero on instruction from the receivers, based on their view that the value of this claim is not determinable at this time, and any amounts which may ultimately be realized are purely speculative. Accordingly, an allowance for the full loss on investment and advances have tentatively been provided. Refer to schedules 9 and 10.

It was not possible at this time to determine independently from the books of account of the affiliates, the debtors' equity in the underlying net assets since the records of these affiliates are incomplete and have not been maintained on a current basis. With respect to Governmental Statistical Corporation it is our understanding that the books of account were last closed as at September 30, 1965 and Federal income tax returns have not been filed since that date. Frederick Tilney and Tilney & Company interests in the following affiliated companies at May 31, 1968, consist of the following:

	Shares	Percentage of Interest	Investment	Notes and Advances
Tilney & Company, Inc.				
Frederick Tilney.....	90	90%	$ 9,000.00	$ - (a)
Tilney & Company.....	-	-	-	38,216.82
Undetermined.....	10	10	-	-
	100	100%	$ 9,000.00	38,216.82

(a) Not presently determinable - records are incomplete.

Governmental Statistical Corporation ($5 par):				
Frederick Tilney.....	1,620	36.8%	8,100.00(b)	25,000.00
Tilney & Company.....	1,025	23.3	5,200.00(c)	636,106.80
Dorothy Tilney.....	740	16.8	-	-
Edward P. Schroeder...	490	11.1	-	-
Former employees, etc.	525	12.0	-	-
	4,400	100.0%	$13,300.00	$661,106.80

(b) Stated at par value
(c) Unexplained as to $75 excess over par value

Tilney Construction Corporation, Inc.(no par):				
Frederick Tilney.....	74	74%	740.00	58,387.90
Dorothy (R.McCabe)Tilney	5	5	-	-
Camilla H. Tilney.....	20	20	-	-
Edward P. Schroeder.....	1	1	-	-
	100	100%	$ 740.00	$ 58,387.90

Tilney Construction Corporation, Inc. owns certain real estate investments. Tilney & Company, Inc. and Governmental Statistical Corporation were primarily engaged in various phases of the securities business, and were an integral part of the operations

Note 3 - Investment In and Receivable From Affiliated Companies (cont'd.)

with Tilney & Company. Tilney & Company, Inc. was generally a successor to Tilney & Company.

There are a series of entries and transactions among the debtors and affiliated companies that are not fully explained and supported in the accounts. In view of the substantial investment by the debtors, further analysis and review are required in order to insure maximum recoveries. In addition, certain unpaid obligations appearing in the name of Tilney & Company, appear in the records as obligations of the affiliates and have been omitted from the accompanying financial statements and supporting schedules pending legal determinations as to who is liable thereon. It is Frederick Tilney's contention that such creditors were advised in advance, and, accordingly, the invoices are improperly marked. See schedule 13.

Note 4 - Cash in Bank

Cash in banks at December 17, 1967 and May 31, 1968 appear at schedules 5 and 18 and include certain joint accounts of Frederick and Dorothy Tilney which may not necessarily represent assets includable in the receivership and is subject to review by counsel. Not all of the respective bank accounts included therein have been transferred in the name of the receivers. A summary of cash and overdraft balances follow:

	December 17, 1967	May 31, 1968
Cash in Banks		
Tilney & Company	$10,639.37	$41,561.95
Frederick Tilney	3,457.57	3,097.52
	$14,096.94	$44,659.47
Overdrafts		
Frederick Tilney (includes $1,102.55 during receivership period)	$ 824.22	$ 1,577.18

At May 31, 1968 a total of $7,995.82 of cash in bank may be subject to possible offset claim by Matanuska Valley Bank.

See note 12 relating to bank overdraft of $10,698.49 reduced to judgment in October 1967.

Sales of securities in excess of $160,000 subsequent to May 31, 1968 have significantly increased the bank balances and reduced bank loan balances.

Note 5 - Securities

Securities are stated in the financial statements on the basis of market values, proceeds received in subsequent period sales or estimated realizable amounts furnished by the receivers where current market values were unavailable. The details appear at schedules 7, 8 and 19. A summary by period follows:

	December 17, 1967	May 31, 1968
Securities valued:		
Tilney & Company.....	$694,921.97	$346,967.97
Frederick Tilney.....	67,565.86	45,296.50
	$762,487.83	$392,264.47
Securities pledged under loans and guarantees (see Schedules 12 and 20):		
Tilney & Company.....	616,096.28	218,882.72
Frederick Tilney.....	49,771.75	-
	$665,868.03	$218,882.72

Securities held by Tilney & Company are registered in the names of Frederick Tilney, Dorothy Tilney and Tilney & Company, etc. Based upon the records maintained, generally it has not been possible to identify securities in the portfolio specifically owing to customers - see schedule 15.

Detailed records relating to cost and acquisition were unavailable for examination.

Certain securities held by the receivers at May 31, 1968 having a value in excess of $12,000 which relate to certain repurchase agreements have not been included in the foregoing summaries pending determination as to ownership.

Note 6 - Judgment Claim - D. Raymond Kenney & Co.

A motion for summary judgment was granted in June 1968 against D. Raymond Kenney & Co., a securities broker-dealer, in the amount of $107,815.49, plus interest, from September 30, 1966 in favor of Tilney & Company. Tilney & Company was involved in a joint venture with the defendant and the accounts of Tilney & Company at December 17, 1967 reflected the open account stated plus accrued interest at 8% which aggregate $117,574.96. Inasmuch as the financial responsibility of the defendant to meet this judgment is in question, the receivers requested that this amount be temporarily excluded from the financial statements, pending further inquiry and ultimate determination as to the realizable value of this claim.

Note 7 - Real Estate

Real estate of Frederick Tilney included in the financial statement at May 31, 1968 is summarized as follows:

Residential property and adjacent lots - Centre Island, New York.....	$135,000.00
Vacant land - Centre Island, New York.....	25,000.00
Vacant land - Douglas and Anchorage, Alaska..	24,135.70
	$184,135.70

The values stated for the Centre Island properties were furnished by the receivers, based upon the report of independent appraisers. The detailed appraisal report itself has not yet been submitted for examination and review. It is our understanding that the residential property and adjacent lots are in the name of Frederick Tilney, whereas the vacant land in Centre Island, New York is held in the name of Frederick and Dorothy Tilney, as tenants in the entirety. With respect to this latter property, the values attributed to Frederick Tilney may be subject to redetermination based upon the legal conclusions as to ownership .

In the absence of records as to cost or appraisal values, the Alaskan properties were temporarily stated in the same approximate amounts as the liabilities encumbering such properties, thereby reflecting no equity therein. It is our understanding that Frederick and Dorothy Tilney and Richard and Ellen Sassara of Alaska own the Anchorage property as tenants in common and that Frederick and Dorothy Tilney own the Douglas property. These matters are presently under review by counsel. It is the contention of Frederick Tilney that he is owed a sum of money from Mr. and Mrs. Sassara in the amount of $5,467.00 for acquisition costs and mortgage installments paid, less undetermined allowance for carrying costs advanced by the Sassaras.

Closing statements and details of acquisition as to all properties were unavailable for examination.

Note 8 - Fixed Assets

Fixed assets of Tilney & Company are stated in the financial statements on the basis of historical cost, as recorded in the accounts, less accumulated depreciation, and comprise a number of automobiles and various office furniture and equipment. Current appraised values were not available.

Note 9 - Life Insurance - Cash Surrender Value and Applicable Loans

The following is a summary of life insurance policies wherein Tilney & Company is both owner and beneficiary:

	Policy#	Cash Surrender Value	Principal Loan and Interest Due	Net Cash Value
New England Mutual Life Insurance Company (Dorothy Tilney)	2214918	$12,995.85	$12,247.21	$ 748.64
Massachusetts Mutual Life Insurance Company (Frederick Tilney)	2465410	18,237.24	17,547.06	690.18
		$31,233.09	$29,794.27	$1,438.82

With respect to insurance carried on the life of Frederick Tilney, there are seven policies whose cash surrender value less applicable loans are temporarily stated in the financial statements in the approximate net amount of $22,000.00. Communication with certain of the insurers reveal discrepancies as to the ownership and/or beneficiary status of such policies. Accordingly, the cash realizable value of such policies are subject to further review and determination.

Note 10 - Liabilities Incurred During Receivership Period

No provision has been included in the financial statements for undetermined fees and administration expenses in connection with the receivership proceedings, which are subject to approval by the Court.

Various expenses incurred during the receivership ($907.16 - Tilney & Company; $6,045.87 - Frederick Tilney) are subject to review by the receivers and counsel - see schedules 13 and 22.

Note 11 - Federal Income Taxes

There is an appeal pending before The Tax Court of The United States by Frederick and Dorothy Tilney for abatement of income tax deficiency in the amount of $1,343.89 relating to the taxable year ended October 31, 1962. Federal income tax and informational tax returns for Frederick Tilney and Tilney & Company, respectively, have not been filed subsequent to the year ended October 31, 1966. It is our understanding that as a result of substantial business losses incurred for the year ended October 31, 1967, no additional Federal income tax will be owing.

Note 12 - Judgment-Creditor - First National City Bank

In October 1967, First National City Bank reduced to judgment an overdraft balance of $10,698.49 in the Tilney & Company checking account, number 092-81654-2633, located at 399 Park Avenue, New York, N. Y. The bank statements, cancelled checks and bank advices covering the period of July and August, 1967 relating to the underlying factors causing the overdraft were unavailable for our examination. A photocopy of the bank statement for the period August 1, 1967 to August 21, 1967 indicates the possibility of either certain irregularities in handling of charges to the account or undetermined and unentered withdrawals of funds. The matter is presently under review pending the receipt of additional information from the bank.

Note 13 - Notes Payable - Banks

In general, substantially all loans payable to banks are secured by collateral except for a loan from the Tinker National Bank in the amount of $98,000, as summarized at schedules 12 and 20. It should be noted, however, that the extent to which the loans are collateralized are dependent upon the valuation of the securities involving Tilney & Company, Governmental Statistical Corporation, Frederick Tilney and Dorothy Tilney, relating to loans at Long Island National Bank.

Substantial amounts of securities pledged as collateral have been sold during the receivership (including subsequent to the date of financial statements) which have materially reduced obligations to banks thereby further releasing excess collateral for the benefit of other creditors.

Note 14 - Mortgages and Deeds of Trust

Liabilities under mortgages and deeds of trust by Frederick Tilney in the amount of $53,283.47 are summarized at schedule 21. With respect to the indebtedness applicable to the Alaskan properties such amounts are stated in full subject to opinion of counsel as to apportionment among the respective owners (see note 7).

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Note 15 - Liabilities to Customer

A summary of amounts owing to customers appears at schedule 14 and is classified by nature of indebtedness to each customer. The major portion of the indebtedness to customers arises in connection with undelivered securities. For purposes of financial reporting, current market prices were employed as a basis of reflecting the liability to customers, pending a determination by counsel as to whether the normal rules of damages or any other method shall apply. At May 31, 1968, the market value of securities owing to customers exceeded the underlying cost to customers by approximately $27,000 and is reflected at schedule 15.

A question exists as to whether Tilney & Company actually conducted transactions with customers as principal or agent, This is subject to further legal inquiry. As indicated in note 5, it was not generally possible to relate securities owing to customers with securities actually held.

At the request of the receivers, the scope of examination did not include direct communication with the customer to verify amounts owing to him and the nature of the account. Requests for filing proofs of claim have not yet been made." In connection with certain attachment proceedings, Alaska State Bank paid certain unidentified customers $22,014.37. Accordingly, the detailed supporting schedules are subject to this modification.

Note 16 - Liabilities Incurred Prior to Receivership

Liabilities incurred prior to receivership include trade obligations of Tilney & Company in the amount of $47,224.02, due to Francis I. duPont & Co., $3,104.91 in connection with security transactions, and accounts payable of Frederick Tilney in the amount of $20,080.04. For financial reporting purposes, the accounts payable of Frederick Tilney include all unpaid obligations, including those incurred for Dorothy Tilney and the Tilney children and are subject to review by counsel and possible adjustment.

As previously noted, we were requested by the receivers to omit verification of liability balances by direct communication with creditors. "Further, requests for filing proofs of claim have not yet been required of creditors."

B. BERNARD GREIDINGER & COMPANY—CERTIFIED PUBLIC ACCOUNTANTS, N. Y.
B. BERNARD GREIDINGER & COMPANY—CERTIFIED PUBLIC ACCOUNTANTS, N. Y.

Note 17 - Contingent Liabilities and Pending Financial Matters

The following is a summary of certain contingent liabilities and pending financial matters:

a) In connection with a collateral loan agreement with the Long Island National Bank there are cross guarantees involving Tilney & Company, Frederick Tilney, Governmental Statistical Corporation and Dorothy Tilney. It is our understanding that the unpaid balance on the loan to Governmental Statistical Corporation amounts to $62,000.

b) In connection with certain unpaid real estate applicable to the Alaskan properties owned in part by Frederick Tilney, there is a threat of a foreclosure proceedings.

c) Tilney & Company may be contingently liable to the City of Nome for damages resulting from failure to place a $910,000 water and sewer revenue bond issue. Governmental Statistical Corporation may have a claim against the City of Nome in connection therewith.

d) Details as to any possible liability of Tilney & Company and/or Frederick Tilney under repurchase agreements are not fully determinable at this time.

e) The financial statements do not provide for any undetermined interest and penalties.

Note 18 - Capital Deficiencies

Based upon the financial statements of May 31, 1968, as presented at Exhibits A and D, the tentative deficiencies are summarized as follows:

	Tilney & Company		Frederick Tilney	
	Liability Class	Available Assets	Liability Class	Available Assets
Receivership administration exp.	$ 1,957.16	$ 1,957.16	$ 9,377.02	$ 9,377.02
Priority creditors...	13,117.08	13,117.08	4,120.89	4,120.89
Secured (and partially secured) creditors	154,127.13	154,127.13	55,358.10	55,358.10
Unsecured creditors..	294,036.08	225,481.95	252,910.04	185,876.71
	463,237.45	394,683.32	321,766.05	254,732.72
Tentative Deficiencies		68,554.13		67,033.33
	$463,237.45	$463,237.45	$321,766.05	$321,766.05

It should be noted that the foregoing gives effect to variou tentative accounting adjustments, omits valuations for certain assets and provision for undetermined receivership administration costs, and is subject to realization of the values therein stated on forced sale or liquidation. Subject to these limitations, the unsecured creditor of Tilney & Company may still realize 76.68% of the face of the debt and the creditors of Frederick Tilney may realize 73.49% of the face

Note 18 - Capital Deficiencies (cont'd.)

of their debt. On a combined basis the amount unsecured creditors may realize would approximate 75.21%.

EXHIBIT A

I. ALAN HARRIS AND JOSEPH C. HOGAN, RECEIVERS FOR

Tilney & Company (A Partnership)

Statement of Assets, Liabilities and Partners' Capital Deficiency

Assets	December 17, 1967	May 31, 1968
Cash in banks (Schedule 5) (Note 4):		
Available for withdrawal -		
Checking accounts	$ 1,257.19	$ 8,566.13
Time deposit	-	25,000.00
Subject to possible right of offset -		
Checking accounts	2,382.18	995.82
Certificate of deposit	7,000.00	7,000.00
	10,639.37	41,561.95
Receivables - other than affiliates:		
Due from customers on security transactions.	4,058.58	3,967.96
Less allowance for estimated uncollectible balances	3,169.72	3,079.10
Estimated realizable value to the extent of offsets and collateral held	888.86	888.86
Interest receivable on bonds (subject to right of offset exercised on bank loan as of December 17, 1967 - $6,926.44; May 31, 1968 - None)	8,718.23	1,628.75
Judgment claim against broker-dealer, D. Raymond Kenney & Co., $107,815.49, plus interest - estimated realizable value not presently determinable (Note 6).	-	-
	9,607.09	2,517.61
Securities owned by firm, general partner, and limited partner, at market values, proceeds realized on subsequent sales estimated realizable values; pledged as collateral $616,096.28 - December 17, 1967; $218,882.72 - May 31, 1968 (Schedules 7 and 8) (Note 5)	694,921.97	346,967.97
Investment in and receivable from affiliated companies (Note 3):		
Governmental Statistical Corporation (includes 7½% sinking fund notes of $89,000 - December 17, 1967 and $59,000 - May 31, 1968) pledged as collateral for bank loan(Schedule 10).	678,202.70	641,306.80
Tilney & Company, Inc. (Schedule 9)	194,901.82	38,216.82
	873,104.52	679,523.62
Less full allowance pending determination of realizable amount	873,104.52	679,523.62
	-	-

EXHIBIT A

Assets (Continued)	December 17, 1967	May 31, 1968
Fixed assets, at cost, less accumulated depreciation of $16,719.90 - December 17, 1967; $17,000.00 - May 31, 1968 (Note 8)	$ 2,477.07	$ 2,196.97
Cash surrender value of life insurance, less loan principal and interest of $29,794.27 (Note 9)	1,438.82	1,438.82
Total Assets	$719,084.32	$394,682.32

Subject to comments contained in letter of transmittal and notes to financial statements.

Liabilities and Capital Deficiency

Liabilities:		
Incurred during receivership (Note 10):		
Accounts payable (Schedule 13)	$ -	$ 907.16
Advances by Dorothy Tilney - limited partner	-	1,050.00
	-	1,957.16
Incurred prior to receivership (subject to future filings of proofs of claims) -		
Taxes payable (Schedule 11)	2,418.59	2,418.59
Judgment creditor - First National City Bank of New York (Note 12)	10,698.49	10,698.49
	13,117.08	13,117.08
Secured and partially secured (subject to valuations of collateral pledged) -		
Notes payable - banks (Schedule 12)(Note 13)	657,347.00	145,003.34
Interest payable - banks	5,987.27	9,123.79
	663,334.27	154,127.13
Unsecured creditors -		
Due to customers (Schedules 14 & 15 (Note 15)		
Securities owing to customers, at closing market values	176,723.50	188,350.79
Cash owing on security sales	70,950.07	70,950.07
Dividends payable	2,623.23	3,922.61
Less unallocated payments to customers	(22,014.37)	(22,014.37)
Total	228,282.43	241,209.10
Accounts payable (Schedule 13)	47,224.02	47,224.02
Due to broker - Francis I. duPont & Co. (Note 16)	3,104.91	3,104.91
Due to employee	23.05	23.05
Due to Dorothy Tilney - limited partner (Note 2)	2,040.00	2,040.00
Due to Kathleen Tilney - loan payable (Note 2)	435.00	435.00
	281,109.41	294,036.08

EXHIBIT A

Liabilities and Capital Deficiency (Continued)	December 17, 1967	May 31, 1968
Contingent liabilities and pending financial matters (Note 17)	-	-
Total Liabilities	957,560.76	463,237.45
Partners' capital deficiency (Exhibit B) (Note 18)	(238,476.44)	(68,554.13)
Total Liabilities and Partners' Capital Deficiency	$719,084.32	$394,683.32

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EXHIBIT D

I. ALAN HARRIS AND JOSEPH C. HOGAN, RECEIVERS FOR

Frederick Tilney (An Individual)
Statement of Assets, Liabilities and Capital Deficiency

Assets	December 17, 1967	May 31, 1968
Cash in banks (Schedule 18) (Note 4):		
Frederick Tilney -		
Checking accounts	$ 1,076.40	$ 2,613.75
Savings accounts	593.54	31.43
Frederick Tilney in trust for Tilney children (savings accounts).....	371.69	79.07
Frederick and Dorothy Tilney in trust for Tilney children (savings accounts).....	380.33	130.33
Frederick and Dorothy Tilney joint account (including savings accounts, $384.20 at December 17, 1964; $234.20 at May 31, 1968)	1,035.61	242.94
	3,457.57	3,097.52
Investment in securities, at market values, proceeds realized on subsequent sales or estimated realizable values, pledged as collateral for bank loans, $49,771.75 at December 17, 1967; none at May 31, 1968 (Schedule 19) (Note 5).....	67,565.86	45,296.50
Securities under repurchase agreement, subject to determination of ownership (Note 5).....	-	-
Investment in and receivable from affiliated companies: (Note 3)		
Tilney & Company's capital deficiency (see Exhibit A).....	(238,476.44)	(68,554.13)
Tilney & Company, Inc., at cost.....	9,000.00	9,000.00
Tilney Construction Corporation, Inc. at cost	59,127.90	59,127.90
Governmental Statistical Corporation.....	33,100.00	33,600.00
	(137,248.54)	33,173.77
Less full allowance pending determination of realizable amount	(137,248.54)	33,173.77
	-	-
Real Estate (see applicable mortgage debt) (Note 7):		
Residential property and adjacent lots - Centre Island, New York, based upon approximate appraised values.....	135,000.00	135,000.00
Vacant land - Centre Island, New York, based upon appraised values.....	25,000.00	25,000.00

EXHIBIT D

Assets (Continued)

	December 17, 1967	May 31, 1968
Vacant land - Douglas and Anchorage, Alaska, stated at amount of approximate encumbrances (see Schedule 21).....	23,585.70	24,135.70
	183,585.70	184,135.70
Advances to family members, during receivership period (details as to financial transactions with Dorothy Tilney, wife, are not presently determinable) (Note 2).....	-	203.00
Cash surrender value of life insurance, less applicable policy loans, at estimated values (subject to determination of ownership) (Note 9).....	22,000.00	22,000.00
Total Assets.....	$276,609.13	$254,732.72

Subject to comments contained in letter of transmittal and notes to financial statements.

Liabilities and Capital Deficiency

Liabilities:		
Incurred during receivership (Note 10):		
Real estate taxes	$ -	$ 2,228.60
Bank overdraft(Schedule 18).....	-	1,102.55
Accounts payable (Schedule 22).....	-	6,045.87
	-	9,377.02
Incurred prior to receivership -		
Priority creditors -		
Real estate taxes (New York and Alaska).	2,777.00	2,777.00
Federal income taxes, excluding interest - under appeal (Note 11).....	1,343.89	1,343.89
	4,120.89	4,120.89
Secured or partially secured creditors (subject to valuations of collateral pledged)		
Notes payable - banks (Schedule 20)(Note 13).....	26,000.00	1,000.00
Mortgage and deeds of trust (Schedule 21)	53,809.88	53,283.47
Bank overdraft (Schedule 18).....	824.22	474.63
Accrued interest - banks and mortgagees.	2,000.00	600.00
	82,634.10	55,358.10
Unsecured creditors -		
Notes payable - bank (Schedule 20)(Note 13)	98,000.00	98,000.00
Notes payable - Tilney children (Schedule 23) (Note 2).....	95,680.00	95,680.00
Accounts payable (Schedule 22).....	20,080.04	20,080.04

EXHIBIT D

Liabilities and Capital Deficiency (Continued)	December 17, 1967	May 31, 1968
Accrued interest - bank	-	1,750.00
Accrued interest - Tilney children (Note 2)	34,650.00	37,400.00
	248,410.04	252,910.04
Contingent liabilities and pending financial matters (Note 17)	-	-
Total Liablities	$335,165.03	$321,766.05
Capital deficiency (Exhibit E)	(58,555.90)	(67,033.33)
Total Liabilities and Capital Deficiency	$276,609.13	$254,732.72

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I. ALAN HARRIS AND JOSEPH C. HOGAN, RECEIVERS FOR

Tilney & Company

Schedule of Security Sales and Application of Proceeds(1)

December 18, 1967 to May 31, 1968

Month Proceeds Received	Description of Security	Number of Shares or Face Value	PROCEEDS RECEIVED ON SALE OF SECURITIES Principal	PROCEEDS RECEIVED ON SALE OF SECURITIES Interest	APPLICATION OF PROCEEDS: Deposited in Receivers Account Manufacturers Hanover Trust Company	APPLICATION OF PROCEEDS: APPLIED IN REDUCTION OF BANK LOANS (PRINCIPAL AND INTEREST) Marine Midland Grace Company	Franklin National Bank	Long Island National Bank
Jan. 1968	Bank of Suffolk County	375	$37,485.00	$ -	$ -	$ -	$ -	$ 37,485.00
"	Bank of Suffolk County	1,104	111,075.64	-	21,283.12	89,792.52	-	-
Feb. "	Long Island National Bank	93	1,925.10	-	1,925.10	-	-	-
" "	First National Bank of Yonkers	52	869.05	-	-	-	-	869.05
" "	Valley National Bank of Long Island	3	88.35	-	-	-	-	88.35
" "	Valley National Bank of Long Island	28	500.65	-	500.65	-	-	-
March "	Bank of Babylon	21	587.16	-	-	-	-	587.16
" "	First National Bank of Anchorage	10	8,000.00	-	-	-	-	8,000.00
" "	First National Bank of East Islip	48	1,461.60	-	-	-	-	1,461.60
" "	Alaska State Bank	200	9,600.00	-	-	-	-	9,600.00
" "	National Bank of Alaska	78	4,680.00	-	-	-	-	4,680.00
" "	Bank of Westbury	61	1,220.00	-	1,220.00	-	-	-
" "	Bankers Trust Company	1	61.00	-	61.00	-	-	-
" "	Bank of Babylon	43	1,202.28	-	1,202.28	-	-	-
" "	National Bank of Alaska	51	3,060.00	-	3,060.00	-	-	-
" "	Victoria Algoma	50	8.73	-	8.73	-	-	-
" "	Parma, N.Y. CSD #1, 3.60% due 12/1/93	$100,000	75,785.00	1,180.00	-	-	76,965.00	-
" "	Kodiak, Alaska, 3.875% due 3/1/84	$ 25,000	20,000.00	75.35	-	-	20,075.35	-
" "	Anaconda Cooper	10	416.48	-	-	-	416.48	-
" "	Cessna Aircraft	10	439.99	-	-	-	439.99	-
" "	Chrysler Corp.	8	432.17	-	-	-	432.17	-
" "	Cities Service	10	448.65	-	-	-	448.65	-
" "	Communications Sattelite	10	459.79	-	-	-	459.79	-
" "	Federal Pacific Electric	10	223.49	-	-	-	223.49	-
" "	Newmount Mining	10	576.10	-	-	-	576.10	-
" "	Scott Paper Company	15	338.18	-	-	-	338.18	-
April "	City of Fairbanks, 4.80% due 1/1/73	$ 2,000	1,840.00	24.80	-	-	1,864.80	-
" "	Alaska State Development Corp., 3.90% due 8/1/77	$ 30,000	24,712.50	195.00	-	-	24,907.50	-
" "	Alaska State Development Corp., 3.50% due 8/1/69	$ 20,000	19,325.00	116.67	-	-	19,441.67	-
" "	Alaska State Development Corp., 3.50% due 8/1/70	$ 75,000	70,500.00	495.83	-	-	70,995.83	-
" "	Fairbanks, Alaska, 6.00% due 1/1/74	$ 20,000	19,600.00	310.00	-	-	19,910.00	-
" "	" " , 5.00% due 1/1/80	$ 30,000	26,700.00	387.50	-	-	27,087.50	-
" "	" " , 5.00% due 1/1/86	$ 40,000	34,600.00	516.67	-	-	35,116.67	-
May "	Alaska State Development Corp., 3.50%	$ 15,000	13,968.75	140.00	-	-	14,108.75	-
" "	Western Airlines	92.5	2,291.34	-	-	-	2,291.34	-
" "	Alaska State Development Corp., 4.80% due 8/1/83	$ 5,000	3,700.00	64.67	-	-	3,764.67	-
" "	National Bank of East Islip	117	3,568.50	-	3,568.50	-	-	-
			$501,750.50	(1) 3,506.49	$32,829.38	$89,792.52	$319,863.93	$62,771.16

Refer to notes on following page.

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I. ALAN HARRIS AND JOSEPH C. HOGAN, RECEIVERS FOR

Tilney & Company
Schedule of Security Sales and Application of Proceeds(1)
December 18, 1967 to May 31, 1968

(1) Records applicable to acquisition were unavailable for examination.

(2) Includes $175.43 applicable to securities of Frederick Tilney:

	Shares	Amount
L.I. National Bank	4	$ 78.35
Valley National Bank	3	88.35
Victoria Algoma	50	8.73
		$175.43

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I. ALAN HARRIS AND JOSEPH C. HOGAN, RECEIVERS FOR

Tilney & Company
Schedule of Notes Payable Banks and Accrued Interest
December 17, 1967 and May 31, 1968

Bank	Due Date	Interest Rate	PRINCIPAL BALANCES December 17, 1967	PRINCIPAL BALANCES May 31, 1968	ACCRUED INTEREST December 17, 1967	ACCRUED INTEREST May 31, 1968	SECURITIES PLEDGED AS COLLATERAL (4) (See Schedule December 17, 1967	SECURITIES PLEDGED AS COLLATERAL (4) (See Schedule May 31, 1968	EXCESS OF VALUE OF COLLATERAL OVER PRINCIPAL AND INTEREST December 17, 1967	EXCESS OF VALUE OF COLLATERAL OVER PRINCIPAL AND INTEREST May 31, 1968
Franklin National Bank	Demand	6%	$362,300.00	$ 42,246.25(1)	$1,026.61	None (5)	$198,996.38	$ 39,297.50	$(164,330.23)	$ (2,948.75)
Long Island National Bank	Demand	6%	140,047.00(2)	36,757.09(2)	2,622.63	$4,473.83	146,205.31(3)	85,282.81(2)	3,535.68	44,051.89(2)
Matanuska Valley Bank	Demand	8%	66,000.00	66,000.00	2,064.88	4,649.96	94,302.41	94,302.41	26,237.53	23,652.45
Marine Midland Grace Trust Company	Demand	6%	89,000.00	-	273.15	-	-	-	87,319.03	-
			$657,347.00	$145,003.34	$5,987.27	$9,123.79	$616,096.28	$218,882.72	$(47,237.99)	$64,755.59

See notes on following page.

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I. ALAN HARRIS AND JOSEPH C. HOGAN, RECEIVERS FOR

Tilney & Company
Schedule of Notes Payable Banks and Accrued Interest
December 17, 1967 and May 31, 1968

(1) Securities($100,000 Parma Central School District - 3.6% due 12/1/93; $40,000 City of Fairbanks - 5% due 1/1/86; $30,000 City of Fairbanks - 5% due 1/1/80; $20,000 City of Fairbanks - 6% due 1/1/74) which were carried in the accounts of Tilney & Company, Inc. were pledged as collateral against Franklin National Bank loan, were sold during February, March and April 1968, and the proceeds of $156,685.00 were applied against loan balance of Tilney & Company. The securities were originally purchased by Tilney & Company and transferred by journal entry on November 17, 1967 to the accounts of Tilney & Company, Inc. in the amount of $177,989.70, resulting in a liability from Tilney & Company, Inc. to Tilney & Company in this amount. The explanation furnished by Frederick Tilney was that Tilney & Company acted as nominee for Tilney & Company, Inc., which is inconsistent with the presentation in the financial report of August 9, 1967. Records of the original purchase price paid by Tilney & Company were unavailable for examination. The deficiency of $21,304.70 between the price at which the securities were transferred to Tilney & Company, Inc.($177,989.70) and the sales proceeds $156,685.00) are included in the receivable account due to Tilney & Company by Tilney & Company, Inc. Interest earned on the bonds were tentatively carried as income to Tilney & Company, and is subject to review.

(2) Tilney & Company, Frederick Tilney and Dorothy Tilney were contingently liable as guarantors to Long Island National Bank of a loan due by Governmental Statistical Corporation in the amount of $62,000, plus interest. Accordingly, part or all of such excess collateral may be subject to terms of such guaranty. Governmental Statistical Corporation has guaranteed the loan of Tilney & Company.

(3) $30,000 Governmental Statistical Corporation 7-1/2% sinking fund notes, due December 1, 1969, with interest in arrears, were held by Long Island National Bank as collateral and were redeemed in February 1968 at face, plus accrued interest due of $10,518.75. The proceeds were applied by the bank against loan principal of Tilney & Company. Collateral at May 31, 1968 consisted of $59,000.00 notes.

(4) At values:

	May 31, 1968
(A) Marketable securities at closing market values....	$ 497.50
(B) Proceeds realized on subsequent period sales	99,869.06

(C) Securities in closely held public corporations not regularly traded - at valuations estimated by receivers (based upon bid and negotiated prices that may ultimately be realized..... 118,516.16

$218,882.72

(5) Accrued unpaid interest of $5,490.46 for the period December 17, 1967 to May 31, 1968 was added by bank to loan principal. The bank followed this policy prior to this period. Therefore, the bank computes and charges interest on the loan principal plus unpaid interest.

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SCHEDULE 21

I. ALAN HARRIS AND JOSEPH C. HOGAN, RECEIVERS FOR

Frederick Tilney
Schedule of Mortgages and Deeds of Trust Payable
December 17, 1967 and May 31, 1968

Name	Description of Property	Interest Rate	PRINCIPAL BALANCE December 17, 1967	PRINCIPAL BALANCE May 31 1968	INTEREST PAYABLE December 17, 1967	INTEREST PAYABLE May 31, 1968
Equitable Life Assurance Company	Personal residence, Centre Island, New York	5.5%	$30,224.18	$29,697.	$ -	$ -
Metropolitan Mortgage and Securities Company of Alaska, Inc.	Vacant land in Anchorage, Alaska (2)(4)	8%	16,585.70(3)	16,585.(3)	-	550.00
Romich, Alaska, Inc.	Vacant land, Douglas, Alaska (4)		7,000.00(1)	7,000.(1)	-	-
			$53,809.88	$53,283.	$ -	$ 550.00

(1) Approximations - actual details were unavailable. Interest payable was not determinable.

(2) Deed is in the name of Frederick and Dorothy Tilney and Richard and Ellen Sassara, as tenants in common. There are pending actions regarding unpaid real estate taxes and possible foreclosure proceedings.

(3) On or about June 25, 1968, proceeds of a condemnation award from the State of Alaska in the amount of $4,100.00 (representing a portion of the property) were paid to the Metropolitan Mortgage and Securities Company, Inc.

(4) For financial reporting purposes, the receivers indicated they have no knowledge as to current value of the property, and, accordingly, the value of the property is reflected at the same value as the amount of the respective liability, pending such determination. Records relating to acquisition were unavailable for examination.

mle [108]

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

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SECURITIES & EXCHANGE COMMISSION,

Plaintiff,

v.

TILNEY & COMPANY, and FREDERICK TILNEY,

67 Civ. 4676

Defendants.

----------x

New York, August 6, 1968
11:00 a.m.

Before:

HON. DAVID N. EDELSTEIN,

District Judge

APPEARANCES:

JOEL HELD, ESQ.,
Attorney for Securities & Exchange Commission

I. ALAN HARRIS, ESQ., and
JOSEPH C.HOGAN, ESQ.,
Receivers

WAGNER, QUILLINAN & TENNANT, ESQS.,
Attorneys for Receivers,
BY: ROBERT BENISCH, ESQ., of Counsel

ALSO PRESENT:
MR. GREIDINGER
MR. KLEIN
MR. TILNEY
MRS. TILNEY

and certain offset claims to these amounts which in this condensation is not indicated.

The next item is a suspense item. We were not quite certain as to the excess proceeds received on certain stock which were held by Long Island National Bank, whether they would be realized or applied against the guarantee of a loan of Governmental Statistical Corporation and the second item appears as a suspense item, $24,000 or part of it may very well represent amounts which may be applied against such guarantee.

We have certain minor receivables, $800, securities owned by the firm, the limited partners are presently valued at approximately $206,000, some minor amount for -- the investment receivable from affiliates, no value has been concluded, they are pending some real determination of the underlying net value of the assets.

I might add parenthetically there are virtually no books of account, tax returns have not been filed since I believe 1965, and it would be a monumental undertaking to reconstitute what the picture is at this point, and so thatatively no amount has been fixed in there and whatever

to go through the entire report, it's so very lengthy, but all the liabilities are spelled out and I will just give you the reference of pages where this information may be obtained.

THE COURT: $9,877.02?

MR. KLEIN: Yes, I am referring -- Schedules 13 and 22. Schedule 22 will yield that information.

MR. HARRIS: I would like the record to reflect that as far as the receivers are concerned they are not bound -- it is an unsual statement to make, we are not bound by the presentation by the accountants either in the pro forma statement or in the full-blown report here, and we don't necessarily agree with his treatment or his comments as to the certainty or uncertainty of the valuations, the treatment of items, and therefore I am as curious as your Honor is as to the $9,377.

MR. KLEIN: If I may just respond:

As tothe valuation I am not presumptious to indicate that there is no value to Tilney -- to the Kenny claim or to the real estate or the Governmental Statistical, the valuations that were included in the report was as a result of a meeting

at Mr. Benisch's office where Mr. Harris and Mr. Benisch were present. I believe the date was July 19th. Where I made inquiry as to the presentation report, and we acted on these instructions and I think the footnotes to our report would so state.

With respect to the liabilities that I have stated in here, I thought I made perfectly clear that the credit list was not reviewed although the information was submitted to Mr. Benisch in worksheet form and I thought it perfectly clear that I am not holding the receivers to account for these things since they have not reviewed it yet.

MR.HARRIS: I regret having used the word"valuation" but in response to Mr. Klein's comment, the valuations were not discussed up at Mr. Benisch's office and if Mr. Klein will reflect very clearly the feeling of the receiver who was present, I wasn't interested in his valuations and I wasn't prepared to tell him what the valuations were.

Let us go on to the liabilities incurred during receivership.

MR. KLEIN: I refer you to Schedule 22.

THE COURT: I have that before me.

MR. KLEIN: Now, the difference between column 17, December 17, 1967 and May 31, 1968 would represent those expenditures incurred. We have everything catalogued and I will just run through some of them for you, six pages of the schedule. Most of them are personal expenses. We have Bonwit Teller, you have dentistry, Cummings.

MR. HELD: Your Honor, may I make a comment? Rather than go through all of them let's get right to the 9,300, the end column total accounts payable, December 17th, 20,000; and May 31st, 26,000. That's not --

MR. KLEIN: Those are two separate items that account for this. If you look at Exhibit D, the $9,000 --

MR.HARRIS: Let's not waste too much time. With all due respect to his Honor, I am sure I have lots of questions, as far as the receivers are concerned under no stretch of the imagination is the $6,000 differential on Schedule 22 a liability of the receivership.

MR. KLEIN: I should only like to point out for purposes of preparation of the report we

had reviewed Mr. Tilney's records and whatever items or unpaid bills were incurred during this period we merely scheduled.

All the material contained therein is subject to legal determination whether it be a liability or not a liability. I am not an attorney and don't presume to so state but we did incorporate the information and on subsequent reports if we are advised that this be eliminated we will act accordingly.

MR.HARRIS: If the accountants had inquired they would have been told not to include it. Any purchases subsequent to the date of receivership by Tilney of the incurring of any liabilities subsequent to the date is not a liability for which the receiver is responsible. The receivers were vested with possession and control of the assets of Tilney as of the date of employment and qualification period.

Any one who chooses to give them credit subsequent is dealing on their own recognizance, so to speak.

MR. BENISCH: I should also like to add that the outstanding creditors of Frederick Tilney were so notified, I believe, during the month of February so that they were put on notice

report, we used the sale proceeds so there would be no question as to the valuation, and the third area was the gray area where the securities might not have been fully marketable and we deferred to any judgments of the receivers since they are intimately familiar with what might ultimately be realized.

THE COURT: I think we can get on. There is no doubt that reports are iffy in many areas probably for obvious reasons. Certainly when we talk about valuations, the ultimate definition of valuation in this area will of course be what any particular equity or asset can be sold for, and I think we are quickly reaching the point where we have to think with greater immediacy than we had to in the earlier stages of this situation of winding up this estate.

MR. HARRIS: I believe your Honor has stated it as succinctly as possible, and which will lead to several requests or applications of the receivers towards the end of today's hearing.

THE COURT: Do you want to proceed to render a report, you and Mr. Hogan?

MR.HARRIS: Well, I think the dialogue which has occurred raises and indicates for the

and again in varying ways.

We have followed a rather unique procedure in this matter. I don't think there is much doubt about that. In order to keep the estate of the Tilneys from floundering, we have proceeded in this manner and fashion in the hope that we could bring about a totally ideal result, a complete payoff to all the creditors asserting valid claims, and hopefully that the ideal can be achieved, that he won't have to sell the roof over Mr. and Mrs. Tilney's head, and hopefully that some excess may be left for them.

I embarked upon this procedure which has some aspects of a reorganization plan, some aspects of receivership, because I saw no useful purpose in the particular circumstances here and the problems that were rather evident of dumping and hurting the public, at the same time hurting the Tilneys.

I could see no great gain except the possible goal which a receivership has in mind at all times, the earliest possible liquidation of an estate and payoff of valid claimants.

But at the same time I think it should be very clearly kept in mind that primacy will and

creditors, because if we were to sell 5,000 shares of stock -- that's Matanuska and Alaska State, at approximately $30 a share, it looks to me like about $150,000, be it net or with commissions, but a sum that is $100,000, we then have $300,000 as against potential claims of $400,000. We also have in our kicker, so to speak, Sundown, it has to be sold. We have an appraisal on Sundown of $125,000.

I feel, and I think the Court knows better than I, that this property could reasonably be sold for $150,000 to $175,000 over and above the mortgage at 175, figures being in the rough, the estate could realize $100,000. That would give us the sum total of $400,000.

In addition, we have the claim of Kenny, which has not been within my contemplation, or within this statement, of roughly $125,000.

Now, under the most optimum conditions, I don't think that we can figure on Kenny for over 35 to $50,000, but I do feel, and I think Mr. Benisch and Mr. Harris would indicate that there is 50,000 recoverable on this judgment. So then we are up to approximately $450,000 as against $400,000

chosen these receivers with a very careful and distinct regard for their peculiar expertise in their respective fields and hoping that by combining them together we would have a very effective amalgam.

They have chosen your firm and you, Mr. Benisch, to lend your expertise and all you are required to do is to give your best judgment. We have absolutely no guarantee or assurance of being perfectly right in every detail. We make our judgment based upon all the available facts and intelligence and we utilize our total expertise here in roundtable discussion.

We have not eliminated Mr. and Mrs. Tilney from our hearings, although I think Mr. Tilney may know that you are not required to be here at all, nor, and I have said this before, and this has nothing to do with my attempting to indicate how conscientious I am -- this is not the usual procedure in effecting a receivership which has been entered into by consent and which has come to Court in an ex parte tribunal. This is again not the way it is done.

I have undertaken to utilize new procedures and techniques here because of the complications and because of my regard for the public interest, and

because of my limited but somewhat valuable knowledge that when you deal with assets which are literally of a frozen nature and are not entirely liquidated that the public could be very severely and innocently injured by a dumping process and this is what I want to prevent here and I think to an extent we have kept a fairly steady and even keel.

Now, as far as decision regarding Tinker, no application has been made to me now for assistance in arriving at a decision.

Proceed with further crystalization based upon further conversations with Tinker. Should there come a time -- should there come a time when there is a sharp marked difference of opinion which cannot be reconciled, then, of course, I would enter the picture in my judicial function.

One of the difficult problems in the conduct of this type of procedure, vis-a-vis the receivers, the Securities and Exchange Commission, the petitioner, which is charged with the public interest and all the other interested parties, is that I must insulate myself against becoming the lawyer, the advocate. That is not my function, and I propose to resist any effort to become embroiled in legal opinion or legal

as you recall, the posture of this receivership was that it was heavily indebted to banks who were in control as pledgees of substantial amounts of securities.

Bankers Trust has been paid off in full, Marine Midland has been paid off in full, Long Island National for all intents and purposes has been paid in full, but b reason of these cross guarantees or cross obligations they are holding on to collateral consisting of cash and securities -- they have all been paid.

That, of course, isn't reflected in the cash balances of the receivers as such. We are left as far as banks are concerned -- well, of course, there is Tinker National for $98,000, Matanuska Valley Bank up in Alaska is the pledgee creditor holding securities, and National Bank of Alaska is also a creditor, but fortunately only a creditor for $1,000 holding as collateral securities of some Alaskan issuer for which there is no market.

The assets held by Matanuska Valley Bank consists of a block of stock of Alaska State and a block of debentures issued by City Commerce Corporation which in turn is a holding company

controlling Alaska State Bank, and Matanuska Valley is also the issuer of the $7,000 CD which, of course, it has a right to hold and to set off if it wishes against the obligation.

We, in turn, hold a block of stock of Matanuska Valley Bank for which there is no market. That stock is both free, I believe, and also held by Long Island National pending the release or the payment of the Governmental Statistical. We had put in quite a bit of effort in attempting to liquidate the Matanuska Valley Bank stock in conjunction with the perhaps controlling interest of the former president of the bank who left under a cloud, living in Seattle, Washington.

He disposed just recently a substantial portion of his stock to the present operating head, the present controlling interest of Matanuska Valley under circumstances which in my opinion certainly raise questions in the mind of any attorney or stockholder of Matanuska Valley Bank.

In my opinion, and now we are coming to a definite application to the Court for comment and that is a desire on the part of one or both receivers and counsel to go to Alaska to deal with Matanuska

Copied from file copy

Valley Bank as a creditor and the Matanuska Valley Bank stock as an asset and also the 3500 shares of Alaska State Bank which is part of our receivership.

Now, Alaska State Bank, as I indicated, is controlled by City Commerce Corporation. Mrs. Bridine Crawford is both chairman of the board of the holding company and of the bank. We have attempted -- we have sold minor amounts of Alaska State Bank stock to individuals, several hundres of shares, in small pieces.

We received from $45 to $50 a share for that stock, and Mr. Tilney has indicated that this is a value which is a fair value, which was confirmed by the ability to sell these small amounts of stock. But we are sitting with some 3500 shares of Alaska State Bank and we have taken this up with Mrs. Crawford, the holding company; unfortunately by telephone and correspondence -- and we do, finally have gotten her up to a bid of $32.50.

Now we just recently received a communication as a stockholder from Alaska State Bank of a special stockholders meeting to be held on August 21. It would appear that the bank requires the infusion of new capital because of its growth posture in Alaska.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
----------x

SECURITIES AND EXCHANGE COMMISSION
Plaintiff,

-against-

REPORT

TILNEY & COMPANY
FREDERICK TILNEY
Defendants.
----------x

TO THE CUSTOMERS AND POSSIBLE CREDITORS OF
TILNEY & COMPANY AND FREDERICK TILNEY:

As you are aware, on December 18, 1967, all assets of Tilney & Company and Frederick Tilney were placed in Receivership by a Judgment and Order entered in the United States District Court for the Southern District of New York in the above-captioned action. At that time the undersigned were appointed as Receivers of such assets and property, and all business activities of said defendants in the broker-dealer field thereupon ceased.

Pursuant to said court order, immediately upon our appointment, we took physical possession of all the books and records of the defendants. We also took possession of all tangible assets belonging to them for the purpose of protecting and converting same into cash. We also notified the holders of all other assets belonging to the defendants of our appointment, sending them copies of the above-mentioned order of our appointment, and advising them of the injunction contained in said order against any disposition of any assets belonging to the defendants except

upon the direction of the Receivers.

The vast majority of said assets consisted of stocks and bonds belonging to said defendants, a substantial portion of which were pledged with various

banks as collateral for loans. Under the law, said pledgee banks had secured interests in the proceeds of the sale of said pledge securities, and accordingly, upon their sale, the proceeds thereof were paid to the respective pledgee banks to the extent necessary to satisfy their outstanding loans. As of September 15, 1968, the aggregate amount paid to pledgee banks in reduction or satisfaction of outstanding loans amounted to approximately $654,679 as a result of sales, receipts and collections totaling $736,066. Substantially all of the remaining securities presently available for liquidation consist of holdings in small banks, a bank holding company and a small utility company (located in Alaska), which shares are not actively traded on any national exchange or in the over-the-counter market and for which there is a very limited market, if any. In order to obtain reasonable bids for said holdings we have been in constant communication with the various banks and companies themselves, and in addition have continuously been seeking out possible buyers through other sources. All of this has resulted in a slow, tedious liquidation process to which there is no alternative. Mr. Harris, accompanied by counsel, recently made a trip to Anchorage, Alaska, for several purposes, one of which was to attempt to negotiate the liquidation of these securities. As a direct result of said negotiations in Alaska the Receivers were able to liquidate a block of shares for almost $24,000.00 more than the highest previous bid. We are hopeful that our continuing efforts will result in the reasonable sale of additional holdings in the near future.

2

Upon taking control of the affairs of the defendants, we encountered a very difficult problem in establishing the financial interrelationship

between said parties and several separate corporations formed by Mr. Tilney during the past. A great deal of time and effort is necessary in order to investigate and clarify the exact status among these entities with respect to ownership of assets, determination of liabilities and debtor-creditor position.

On July 26, our attorneys succeeded in obtaining a judgment in the Supreme Court, New York County, in the amount of $119,161.00 against an alleged joint-venturer with Tilney & Company, who had denied any liability as such. This judgment represents approximately one half of the loss previously sustained by Tilney & Company in said joint venture. Because the judgment debtor does not appear to be in a position to satisfy the full amount of said judgment, we are considering the offer of the debtor to compromise said judgment in a reduced amount or to accept other arrangements for a long-term pay-out by said judgment debtor. To the extent that a recovery is obtained on said judgment, the proceeds will be added to the Receivership estate for distribution to recognized claimants.

We have obtained from an independent appraiser an appraisal of several parcels of land, including the Tilney home, owned by Mr. Tilney or in which he has an interest. Said real property is to be placed on the market and will be sold as soon as fair prices therefor can be obtained. A parcel of real property located in Anchorage, recently protected from foreclosure and now held by the Receivers, is presently listed for sale.

During the early part of August, the City of Nome, Alaska, commenced a legal action against Tilney & Company, Frederick Tilney and Dorothy Tilney, the Receivers and Governmental Statistical Corporation (a corporation con-

trolled by Frederick Tilney) seeking damages in the aggregate amount of $4,000,000.00. Said action stems from certain past business dealings between the City of Nome and some of the said defendants. In the opinion of our attorneys, this action has little or no merit and will be vigorously defended.

Attempts were made by our attorneys and us while in Anchorage, to negotiate a speedy settlement of this lawsuit. Said negotiations were unsuccessful and we have therefore retained local counsel in Anchorage to defend the action. Unfortunately, the advent of this lawsuit will increase the administration expenses and will delay any payment or distribution to customers or creditors until such time as the exact liability, if any, is finally determined, either by adjudication or settlement. The City of Nome has now become a claimant against the receivership estates to the possible extent of $2,000,000.00 and as such, must be treated in the same manner as any other claimant. We regret this unfortunate development and we shall try to guide the matter to a successful conclusion as quickly as possible. We do envision, however, a substantial delay in any distribution to creditors as a result of said lawsuit.

To those customers who ordered and paid for securities through Tilney & Company, our investigation now discloses that although confirmations of such purchases may have been received by you, the securities you ordered were never actually purchased for your account by Tilney & Company and, consequently, cannot

be delivered to you. Therefore, as we have previously indicated, it is our intention, subject to approval of the Court, to recognize your respective

claims as creditors in the amounts paid by each of you to Tilney & Company. Upon the ultimate distribution of the assets herein, you will be paid the full amount of your claim if the net assets are sufficient for such purposes. In the event said assets are insufficient to pay everyone in full, you will receive your proportionate share thereof. It is still impossible at this point to estimate when the liquidation of assets will be sufficiently completed or when the various problems involved herein (viz: the City of Nome lawsuit) will be resolved to the point of allowing a distribution to creditors. You will be kept advised as to any developments in this regard.

With respect to the present financial status of the receivership estates, our accountants, B. Bernard Greidinger & Co. have prepared an interim report on special examination consisting of over 90 pages of schedules and financial data. Copies of this statement have been submitted to the Securities and Exchange Commission and to the Federal court. Extracted from said accountant's report and attached hereto are the following:

(a) Summary of Cash Receipts and Disbursements from December 18, 1967 (date of appointment of Receivers) to July 31, 1968;

(b) Condensed Statement of Assets and Liabilities of Tilney & Company at July 31, 1968; and

(c) Condensed Statement of Assets and Liabilities of Frederick Tilney at July 31, 1968.

As is indicated in the enclosed Cash Receipts and Disbursements Statement, the total amount coming into the hands of the Receivers for the period December 18, 1967 through July 31, 1968 is approximately $730,764. Subsequent to July 31, 1968, additional moneys were received and the obli-

gations due to pledgees were further reduced as noted above in this report.

With respect to the attached Condensed Statement of Condition of Tilney & Company at July 31, 1968, it should be pointed out that although no value is ascribed to "investment in and receivables from affiliates" and to the "judgment obtained against D. Raymond Kenney & Co.", it is anticipated that the Receivers will realize some significant recovery on each of said items and strenuous efforts are being expended in that direction. At the same time, your attention is directed to the contingent liability represented by the lawsuit instituted by the City of Nome to which no dollar amount is ascribed on the said condensed statement. Therefore, the said condensed statement should not be relied upon for the purpose of estimating the extent of any eventual distribution to be made to claimants herein.

With respect to the Condensed Statement of Assets and Liabilities of Frederick Tilney at July 31, 1968, attention is directed to the items "investment in and receivables from affiliates" and "contingent liability," to which items no values have been ascribed (see comments in preceding paragraph).

Enclosed herewith is a form of Proof of Claim which should be completed and signed by you with your signature taken before a Notary Public and thereafter returned to the undersigned at the following address:

6

Joseph C. Hogan and I. Alan Harris as Receivers
C/O B. Bernard Greidinger & Co.
1441 Broadway
New York, N.Y.

We wish to call your attention to the fact that the willful filing of an exaggerated claim may result in a disallowance of your entire claim.

We regret the delay involved in the preparation and forwarding of this

report and the enclosed financial statements; however, in the future, it is our intention to advise you periodically of all significant developments.

Dated: October 31, 1968

/S/ I. Alan Harris
I. Alan Harris

/S/ Joseph C. Hogan
Joseph C. Hogan

I. ALAN HARRIS AND JOSEPH C. HOGAN, RECEIVERS FOR

Tilney & Company
Condensed Statement of Assets and Liabilities
July 31, 1968

ASSETS

Cash in banks (including $75,000 in time deposits)	$ 88,168(3)
Cash held by bank (subject to offset claims against bank loans	7,996
Cash held by bank (subject to offset claim under cross guaranty against bank loan to affiliate)	19,200
Receivable - due from customers (subject to partial offset against unsecured creditors)	889
Receivable - due from broker	4,830
Securities owned by the Firm, general partner and limited partner ($121,669 held by banks as collateral at approximate market value)	206,554
Investment in and receivable from affiliates (Governmental Statistical Corporation $641,347, Tilney & Company, Inc., $38,217) not presently valued - recovery considered in doubt	--
Judgment against D. Raymond Kenney & Co. ($119,161) recovery of total amount considered doubtful	--
Cash surrender value of life insurance (net of loans)	1,439
Fixed assets - at net book value	2,197
TOTAL ASSETS	$331,273

LIABILITIES

Contingent liability - suit instituted by City of Nome, Alaska (2)	$ --
Priority claims - payroll taxes	2,419
Secured and partially secured claims - bank loans	74,209
Unsecured creditors (includes approximate $241,209 due customers) (1)	304,734
TOTAL LIABILITIES (excluding administration expenses)	$381,362

(1) Proofs of claim have not yet been directed to be filed by creditors.

(2) A suit, in the aggregate amount of $4,000,000, has been filed by the City of Nome, Alaska, indicating party defendants to be Tilney & Company, Governmental Statistical Corporation, The Receivers, I. Alan Harris and Joseph C. Hogan, and Frederick and Dorothy Tilney.

(3) The Receivers, in order to facilitate the administration of the estate, have been conducting primarily all transactions of the debtors, Tilney & Company and Frederick Tilney, through the cash accounts of Tilney & Company, and, accordingly, specific allocation of such transaction will be made to the respective debtors at a later date.

I. ALAN HARRIS AND JOSEPH C. HOGAN, RECEIVERS FOR

Frederick Tilney
Condensed Statement of Assets and Liabilities
July 31, 1968

Assets

Cash in bank	$ 2,777(1)
Investment in securities, at approximate fair market value ($47,660 held by banks as collateral)	73,157(2)
Investment in and receivable from affiliates - Tilney & Company, Inc. - $9,000, Tilney Construction Corp., Inc. - $54,128, Governmental Statistical Corporation - $33,600 (not presently valued, recoveries considered in doubt)	--
Real Estate - Residential property and adjacent lots - Centre Island, N.Y. - (at appraised value of $140,000, net of mortgage of $29,698 and real estate taxes of $4,278	106,024
Vacant land - Alaska (net of approximate incumbrances)	4,000(3)
Total Assets	$185,958

Liabilities

Contingent liability - suit instituted by the City of Nome, Alaska (5)	$ --
Priority claims (taxes)	1,344(4)
Secured or partially secured (bank loan)	1,050(4)
Unsecured creditors	252,910(4)
Total Liabilities (excluding administration expenses)	$255,304

(1) The Receivers, in order to facilitate the administration of the estate, have been conducting primarily all transactions of the debtors, Tilney & Company and Frederick Tilney, through the cash accounts of Tilney & Company, and, accordingly, specific allocation of such transactions will be made to the respective debtors at a later date.

(2) Includes securities valued at $47,660 which are subject to claims asserted by wife, Dorothy Tilney.

(3) Certain property in Anchorage, Alaska was bought on foreclosure sale by the Receivers in August, 1963 for $14,019. Estimated value of property is $18,000.

(4) Proofs of claim have not yet been directed to be filed by creditors.

(5) A suit in the aggregate amount of $4,000,000 has been filed by the City of Nome, Alaska, indicating party defendants to be Tilney & Company, Governmental Statistical Corporation, the Receivers, I. Alan Harris and Joseph C. Hogan, and Frederick and Dorothy Tilney.

I. ALAN HARRIS AND JOSEPH C. HOGAN, RECEIVERS FOR

Tilney & Company and Frederick Tilney
Summary of Cash Receipts and Disbursements
December 18, 1967 to July 31, 1968

	Total	Tilney & Company	Frederick Tilney
Cash taken over by Receivers - December 18, 1967	$ 10,639	$ 10,639	$ --
Cash Receipts - Proceeds realized on sale of securities	650,810	622,592	28,218
Recovery of principal and interest on note.....	41,756	41,756	--
Interest and dividends collected..	19,495	19,348	147
Accumulated life insurance dividends	1,769	--	1,769
Bank transfers and other receipts.	6,203	6,184	121
	720,125	689,870	30,255
Cash Disbursements - Payments offset by pledgee banks on secured loans from proceeds of liquidation of pledged assets.....	619,679	592,206	27,473
Receivership period expenses (real estate taxes, mortgage and insurance premium payments,etc.)....	9,558	9,558	--
Bank transfers and other disbursements.....	2,596	2,591	5
	631,823	604,345	27,478
Cash in Banks - July 31, 1968 (1).....	$ 98,941	$ 96,164	$ 2,777

(1) The Receivers, in order to facilitate the administration of the estate, have been conducting primarily all transactions of the debtors, Tilney & Company and Frederick Tilney, through the cash accounts of Tilney & Company, and, accordingly, specific allocation of such transactions will be made to the respective debtors at a later date.

UNITED STATES DISTRICT COURT
SOUTHERN DISTPICT OF NEW YORK
----------x

SECURITIES AND EXCHANGE COMMISSION,
Plaintiff,

-against-

TILNEY & COMPANY and
FREDERICK TILNEY,

Defendants
----------x

67 Civil Action
File No. 4676

PROOF OF CLAIM
(Please type or print all answers)

STATE OF)
COUNTY OF) s.s.:

_____, residing at
(name)

_____,
(street) (city) (state)

and (if claim is held jointly)

_____, residing at
(name)

_____,
(street) (city) (state)

being duly sworn, depose and say:

1 (a) (Individual or Joint)
I am (we are) the claimant(s).

(b) (Partnership)

I am a member of the firm of _____
(name of partnership)

_____, having a place of business at

_____
(address)

hereinafter called claimant.

(c) (Corporation)

I am an officer of _____
(name of Corporation)

to wit, its _____, having a place of
(Title of officer)

business at _____,
(address)

which corporation is hereinafter called claimant, and an authorized to make this claim on its behalf.

2. On or before December 18, 1967, the day on which the assets of both of the above-named defendants were placed in receivership by order of the United States District Court for the Southern District of New York,

_____
(name(s) of defendant(s) claimed to be indebted or liable)

_____

were justly and truly indebted or liable to this claimant in the sum of $_____.

3. The consideration for said debt or liability, and the circumstances and facts giving rise thereto, are as follows:

(Please furnish sufficient facts and details to enable the Court and the Receivers to identify, review and evaluate your claim. Attach additional pages, if necessary.)

4. No part of said debt or liability has been paid and there are no offsets or counterclaims to said debt or liability, except (Cross out the word "except", or complete the statement.)

5. Claimant does not hold, and has not, nor has any person by his (its) order, or to the undersigned's knowledge or belief for his (its) use, had or received any collateral security

for said debt or liability, except (Cross out the word "except," or complete the statement.)

6. That no note or instrument evidencing said debt or liability has been received, (or) Attached hereto is (are) the note(s) or instrument(s) evidencing the debt or liability. (Cross out inapplicable statement.)

7. No judgment has been rendered on the debt or liability, except (Cross out the word (except) or complete the statement.)

_____
(Sign name of individual, partner if partnership, or corporate officer)

_____
(Sign name of joint owner if any)

_____
(Print name of partnership or corporation here.)

Sworn to before me this
day of 1971.

_____
Notary Public

Copied from File copy

A-64-14

CONFIDENTIAL

REPORT OF CONDITION

TILNEY & COMPANY AND FREDERICK TILNEY

AS OF JULY 31 1968

PREPARED FOR SUBMISSION TO THE RECEIVERS

AND HON. JUDGE EDELSTEIN

At a hearing, August 6, 1968

August 5, 1968

REPORT OF CONDITION
TILNEY AND COMPANY AND FREDERICK TILNEY
JULY 31, 1968

On the following pages a summary of the position of Tilney & Company and Frederick Tilney as of July 31 is furnished.

In examining this report, it should be noted that it is planned and envisioned that certain obligations due the general partner's children by Tilney & Company with a market value short as of March 15, 1968 will and can be liquidated by Court approved transfers of tangible property of the general partner. With this exception, the liabilities of Tilney & Company will be as stated and will be proved by independent audit. Tilney & Company from the latter apparently will have a substantial net before administrative costs of the Receivership more than adequate to protect all creditors and to allow reimbursement to the general partner's estate of the proceeds of certain securities liquidated by the Receivers on his behalf.

The general partner's liabilities can be reduced to a nominal figure by two major adjustments. The liability of the general partner to the Tinker National Bank has been worked out through the transfer of certain assets of the limited partner, not entailed, who is a co-signer of the note and the pledging of certain real property of Tilney Construction Corporation.

The general partner's other major liability beyond the Tinker National Bank loan is monies due his children. By offsetting the amount due through pledging certain real property owned by the general partner with appropriate Court approval, this liability as of March 15 was computed as $131,780 can be deleted from the general partner's list of liabilities.

Through this arrangement, the general partner's liabilities can be reduced to $23,359.60. Cash due the general partner's estate from the Receivership are already held by the Receivers will equal $40,892.51.

Tax liabilities of Tilney & Company and of the general partner who is the tax paying entity for Tilney & Company will present no problem.

Tilney & Company's tax liabilities are limited to $2,133.20 plus some penalties and consist primarily of payroll taxes and similar taxes at the time the firm closed down. Tilney & Company is not obligated to pay any income or franchise taxes, being a partnership. All taxes are paid through the partners' federal income tax returns.

Insofar as Tilney & Company's tax report for the year ending October 31 1967 is concerned, we are informed by Louis D. Blum & Company that subject to a few minor adjustments the operating loss of Tilney & Company for the 12 month period will be approximately $200,000.

Tilney & Company, continuing in operation after October 31, 1967, with the Receivers appointed December 18, 1967, will obviously have no operating profit for the year ending October 31, 1968. The extent of the loss has not been estimated.

The partners have only three open completed years for tax reports. The first year is 1962 where the partners are presently in Tax Court. A favorable decision would amount to a refund of about $500; an adverse decision would amount to a tax of about $2,000. All returns have been audited and accepted through 1965 other than 1962. The 1966 return is subject to audit but since Tilney & Company showed a substantial loss that year it is felt there will be no tax liability for 1966. With the substantial loss in 1967 and a forecast of substantial losses for 1968, the possibility of any invasion for taxes is negligible with the small exception of 1962.

Due to the fact that the 1966 return establishes a very substantial capital gain on the part of the general partner, the loss carryback for 1967 estimated at $150,000 after capital gains will have no value. The same will apply to the loss in 1968.

Tilney & Company, based on the figures in this report, will be able to meet its obligations within its own resources without reference to the general partner.

The same situation will prevail insofar as Governmental Statistical Corporation and Tilney & Company, Inc. but for the exception of $6,000 in Tilney Construction Corporation.

Tilney Construction Corporation will make available certain properties for pledge to the Tinker National Bank. These properties are subject to monies due and/or equity due the general partner. The minority stockholders of Tilney Construction Corporation will agree to permit this arrangement.

The general partner's position after the Tinker transaction and after pledging of certain properties and/or other assets to secure the general obligation to his children personally and through Tilney & Company will be reduced to liabilities of a commercial nature and some real estate taxes. Funds in the Receivers' hands or to be transferred from the Receivers' Tilney & Company's account to the Receivers' account for Frederick Tilney will most adequately cover these obligations.

In establishing the equity of Tilney & Company, no value has been assigned to stock of Governmental Statistical Corporation owned by Tilney & Company nor has any value been assigned to obligations due Tilney & Company by Governmental Statistical Corporation since it is apparent that these will not have to be liquidated.

Tilney Construction Corporation does not owe Tilney & Company any funds.

SUMMARY REPORT OF POSITION
TILNEY & COMPANY AND FREDERICK TILNEY
JULY 31, 1968

This report is submitted for the benefit of the Receivers and the Court in the matter of the existing Receivership. In order to define clearly the position of both the partnership and the general partner, this report is divided into two parts.

Part I -- Tilney & Company

Tilney & Company's Liabilities as of 7/31/68

Taxes, payroll, etc.	$ 2,133.80	
Commercial Accounts, 8/9/67	25,321.61	
Commercial Accounts added, 8/9/67 - 10/31/67	10,909.89	
Commercial Accounts added, 10/31/67 - 7/31/68	10,343.20	(1)
Reserved beyond 7/31/68	1,000.00	*
Due Customers, 3/15/68, market value, shorts	135,581.00	(2)
Due Customers, Cash	73,426.57	(3)
Dividends on Stock Short, Jan. 1, 1968 - July 31, 1968	2,000.00	*
Interest on money due customers, 8%, 1 year	5,873.72	
Due Broker	3,055.21	
Dividend Claims	2,500.00	*
Contingent Liability, Nome City of	None	
Franklin National Bank, unsecured	2,500.00	*
Bank Loan, Matanuska Valley Bank with interest to 7/31/68	70,000.00	*
Due Receivership Estate of Frederick Tilney		
Sale of 194 shares Bank of Suffolk County, Bankers Trust	19,390.30	
Sale of 937 shares Matinecock Bank, Bankers Trust	18,725.00	
	$382,760.30	

Available Assets to meet Liabilities of Tilney & Company

Cash or Controllable Claims:			
Manufacturers Hanover Trust Company:			
Demand	$17,983.73		
Time	75,000.00		
Undeposited receipts	4,850.00		
Interest on time deposits	700.00	*	
			$ 98,533.73
Matanuska Valley Bank, Certificate of Deposit plus interest	7,350.00		
Long Island National Bank	18,760.79		
Offset, Alaska State Bank	22,014.00		
Interest on offset above	1,100.00	*	
			$ 49,224.79

Sale of Securities

$55,844 City Commerce 7% Convertible Debentures		$ 42,500.00
Controlled Claims:		
Tilney & Company, Inc.	$ 6,000.00*	
Customer's Loan	700.00*	
Miscellaneous	5,000.00 (4)	
		11,700.00
Total Cash and Controlled Claims		$201,958.52
Claim:		
D. Raymond Kenney & Company	$125,000.00	

Free Securities:

1,417 shs. Alaska State Bank	@ $50	$70,850.00	
3,243.602 shs. Matanuska Valley Bank	@ $30	97,308.00	
8,830 shs. City Commerce Common	@ 25¢	2,208.00	
Misc. list of securities valued 3-15-68		1,470.00	
			171,836.00

Securities under Loan at Matanuska Valley Bank:

1,800 shs. Alaska State Bank	@ $50	90,000.00	
69,268 shs. City Commerce Corp.	@ 25¢	17,317.00	
			107,317.00
Total Claims and Securities			$ 404,153.00
Total Available to liquidate debts of Tilney & Co.			606,111.52
Required to meet Tilney & Company's liabilities			382,760.30
Equity, Tilney & Company			$ 223,351.22

Interest of limited partner subordinated to all other creditors:

Capital	$2,500.00	
Added, as of 8/9/67	2,270.00	
Rent, One Wall Street	1,200.00 (a)	
	$5,970.00	

(a) Already included in computing equity.

Deduct from general partner's equity:

Limited partner's capital	$2,500.00	
Limited partner's capital added as of 8/9/67	2,270.00	
		4,770.00
Net Equity, general partner		$218,581.22

Notes to Part I:

* Estimated and subject to minor adjustments.

(1) $1,200 was paid by the limited partner on rent at One Wall Street and will be claimed by her against the Receivership.

(2) The market value of the short position does not include $29,366 of securities short to the general partner's three children as of March 15, 1968.

(3) Some family accounts are included in the cash due customers.

(4) Due by customers:

Account				
N 110	Andreis	$ 10.00		
N 128	Buller	218.00		
N 88	Rice	2,550.07	*	
AC 48	Marchant	20.25		
N 79	Holem	600.00	*	
				$ 3,398.32

Offsets of cash due:

DeGarmo	679.00	
Hall	298.00	
		977.00

Richard Sassara offset; due F. Tilney 1,298.98

$5,674.30

* Probable surety claims.

Part II -- Frederick Tilney

Liabilities as of July 31, 1968

Accounts Payable, 12-18-67	$ 20,359.65
Of the above figure, $1,218.72 has already been paid by Mrs. Tilney and will be claimed by her.	
Real Estate Taxes	3,000.00 *
* Estimated	$23,359.65

Assets To Meet Above

Cash in hands of Receivers	$ 2,777.21	
Due from Tilney & Company's acct. of Receivers	38,115.30	
Total Cash Available		$40,892.51

Securities sold that may or may not have been credited to Frederick Tilney's account derived from free securities delivered to Receivers:

50 shs. Victoria Algoma
35 shs. Matinecock Bank, Locust Valley

Alaska Deed of Trust secured by land is not a liability.

Mr. Tilney holds 6,709 shares of Central Alaska Utilities stock valued at $22,775 subject to a loan of $1,100 including interest.

Alaska National Securities: Tilney-Alaska:
Some bills to these organizations are outstanding. Mr. Tilney intends to treat as contingent liabilities when all other creditors are paid. The total is $648.48.

Since it appears that there will be no necessity for the Receivers to look to the general partner for any funds for the benefit of Tilney & Company, no tabulation of the general partner's assets are included. Reference to the report of March 15, 1968 will give a clear picture of the general partner's situation.

This report was copies from the original report, the only changes being in correction of spelling and other typographical errors. Original file --- A64-14.

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

SECURITIES & EXCHANGE COMMISSION, Plaintiff,	
vs.	67 Civ. 4676
TILNEY & COMPANY and FREDERICK TILNEY, Defendants.	

Before:

HON. DAVID N. EDELSTEIN,
District Judge.

New York, November 18, 1968;
10.30 o'clock a. m.

APPEARANCES:

I.ALAN HARRIS, ESQ. Receiver.

WAGNER, QUILLINAN & TENNANT, ESQS.,
Attorneys for Receivers;
Robert Benisch, Esq., of Counsel.

KATHLEEN A. WARWICK, ESQ.,
Attorney for Securities and
Exchange Commission.

CADWALADER, WICKERSHAM & TAFT, ESQS.,
Attorneys for Defendants;
Terence F. Gilheany, Esq., of Counsel.

KEVIN DUFFY, ESQ., Attorney for D. Raymond Kenney.

Also present: Mr. Frederick Tilney.

- -

Now, Mr. Benisch has said to me that this money is going to come to Kenney from a lender, the condition of whose loan is that the $85,000 payment be the complete settlement of the judgment.

I would like Mr. Duffy to speak to that, if he might, as to who the lender is, what his precise positions are, why they are imposed, and whether perhaps we could not modify that position somewhat in order to give the defendants' estate some of this $35,000, which seems to be on its way out the window.

MR. DUFFY: The condition of the loan is that the $85,000 wind the entire thing up. The lender is Mrs. Kenney's employer, and this loan is being made strictly as an accommodation.

THE COURT: Who is Mrs. Kenney's employer?

MR. DUFFY: Gottesman & Company.

THE COURT: And when you say an accommodation, do you employ that term in its term of art sense that we understand that to mean?

MR. DUFFY: They are not getting anything for it. They hope eventually to be repaid, but that is it.

to that for a moment, Mr. Benisch. Will you please spread on the record your best knowledge and information concerning the ability of Kenney to pay this judgment in whole or in part; what is his financial condition as you know it and as we have been able to discover it, and perhaps the SEC in this area can give us some assistance; and I think the SEC should be aware, because I very carefully, I think, stated for the record some time ago that in this proceeding I consider the SEC to be a very crucial and very definite part of the adversary proceeding which I think this is in fact. It is the SEC here who is charged with the duty of protecting the public, and I think the SEC has a sort of dual interest but not a conflicting interest, as I see it, namely, they are concerned with Kenney's capital requirements under the rule, and they also are concerned with the liquidation of this estate; isn't that so?

MISS WARWICK: That is correct.

MR. BENISCH: Your Honor, I would like to direct the Court's attention to the balance sheet of D. Raymond Kenney as of October 31, 1968, a copy of which you have before you.

Contained in said balance sheet are a list of the assets and liabilities of D. Raymond Kenney. Mr. Kenney's entire assets are comprised of the assets forming a part of D. Raymond Kenney & Company, his sole proprietorship, which is in the broker-dealer business.

His balance sheet reflects total current assets as of October 31 of $174,921. It reflects other assets, furniture and fixtures and deposits totaling $2,850.

Liabilities, again, are primarily in the business field. They total some $98,889; a net capital figure of $78,881.

So what we have here is a judgment debtor who has virtually all of his assets tied up in his business operation.

This business operation has not been operating since October 15. So that, in fact, it is possible that since October 31 this net capital figure would have been reduced by virtue of the inactivity of the business.

We have attempted to bring it down as close to date, but even dealing with this $78,000 figure, we have a secondary consideration here,

and that is in order to stay in business Mr. Kenney must comply with the Securities and Exchange Commission's net capital rule.

Therefore the amount which he can take out of this business is limited. An approximate figure as of today that he could take out of this business toward the payment of this judgment on a cash basis would be somewhere between $25,000 and $30,000, I am told by the Commission.

This would mean a balance would have to be evidenced in some fashion and subordinated - and subordinated to everyone - in order that Mr. Kenney be able to operate under the net capital rule.

Aside from this subordination, the nature of Mr. Kenney's business depends on the ebb and flow of the securities market, and what-have-you, and I would say that D. Raymond Kenney & Company is not one of the larger, more substantial operations, if you will, in this field.

So that as far as ability to pay, we are talking about $25,000 to $35,000 in cash, with the expectation sometime over a period of years of obtaining the balance. We are in this --

more deeply is whether or not some further negotiation with the proposed lender might not clarify the situation to the point where he might eventually agree to modify the conditions of his loan to such a point that we can pick up some more of the judgment over and above the $85,000. I got the impression in talking to Mr. Benisch that perhaps the lender wanted to retain the possible tax refund that might be coming to Kenney --

THE COURT: Well, at this point I would like you to lend your expertise and give us your expert opinion on some of the tax theories in Mr. Tilney's affidavit which I have just read briefly.

Can you do that?

MR. GILHEANY: No, your Honor, I cannot because I have not examined them carefully. The affidavit was drawn by Mr. Tilney himself, and I only read it myself this morning when I met Mr. Tilney here at the courthouse, and I would not presume --

THE COURT: They really set forth some profound legal opinions on the law of taxation, do they not?

Did you read this affidavit?

MR. GILHEANY: Yes, your Honor, I did.

THE COURT: I think it is not unfair to ask if it is not correct that they set forth matters which would have required considerable tax expertise.

MR. GILHEANY: Well, your Honor, I think they do operate on the assumption that the tax refund would, in fact, be made, and that it would be made reasonably promptly, and I must say that I cannot say that that would be the case.

What I would like to say is that in trying to clarify what the thinking of the proposed lender might have been in this situation, in talking to Mr. Benisch it occurred to me that the reason that this proposed lender, Mrs. Kenney's employer, might have wanted this to be an unconditional loan and an unconditional settlement for $85,000 is that he did not want the future assets of Kenney, as they might be represented by this tax refund, if, in fact, it does come through, to go to Mr. Tilney rather than to himself as security for the loan. And it just occurred to me that perhaps he would be willing to have Mr. Kenney

Time is of the essence. It is not necessarily of the essence in collecting a judgment on a verdict.

MR. TILNEY: I wonder if I could say something, your Honor.

THE COURT: You are always free to.

MR. TILNEY: In preparing this affidavit I would like to set the record straight that I did seek advice of competent tax authorities. I did not rely on my own memory of the tax laws exclusively, and the person I sought the information from is our accountant, and he knows the situation and understood the matter with Mr. Kenny, met with Mr. Kenney, and one of my attorneys, when we were first pressing the matter.

Further I would like to point out that when we were pressing the matter with Mr. Kenney we were trying to do just the same thing that we have always tried to do, and that is to preserve the firm in business, and we had exactly the same program worked out for him at that time, which he had agreed to.

He then withdrew his agreement, and the wholematter could have been closed in September 1966, or October, a few days after the 30th of September, when he asked to be relieved, and he

1967, or whether he uses it up in 1965, 1962, 1963, 1964 and 1966, he is limited to $119,000. This is the greatest loss to be used up whether in one year, three years, five years or ten years. You don't get any additional tax refund by spreading it over more year. It just is not available.

THE COURT: At this stage of the proceeding, Mr. Tilney, I think it becomes somewhat necessary to move along with all due expedition, and I think my recollection serves me when I advert to a statement that I recall you making at that earlier conference here, that you would like to see this thing move to its conclusion.

MR. TILNEY: Right.

THE COURT: And I think it is rather apparent that the sooner we wind up this estate the sooner this will have an effective and worthwhile purpose for all involved, including you. We don't want this to be an albatross on your back indefinitely.

Now do you want to tell me here now that you would want me to reject this offer and compromise?

MR. TILNEY: On the basis of the figures

that I developed, sir, I would say yes.

THE COURT: And have you considered the time that would be necessary, assuming that everything that you have alleged in your affidavit, if the IRS agrees, are you willing to state that you are willing to wait for the further extension of time and all the imponderables, including death --

MR. TILNEY: Yes, sir.

THE COURT: You want to wait?

MR. TILNEY: I would, sir.

THE COURT: Can you tell me why? Do you think you are going to collect a hundred cents on the dollar?

MR. TILNEY: I believe so, sir.

THE COURT: What if you are wrong, who suffers?

MR. TILNEY: I will suffer.

THE COURT: You alone?

MR. TILNEY: Yes, sir.

THE COURT: The estate won't suffer; the creditors won't suffer?

MR. TILNEY: The creditors won't suffer.

THE COURT: Doesn't this add $85,000 to the estate at this moment for purposes of

liquidation?

MR. TILNEY: Yes, but it might add $119,000.

THE COURT: But all we are doing is balancing roughly 25 percent against 75 per cent. I don't think that is very good speculation under the circumstances that you have developed here. I think it is a very risky speculation, and I am not persuaded that you are right, and so I will grant this application.

MR. BENISCH: Your Honor, I have prepared a form of order which in the interest of time I would like to submit to the Court for signature authorizing this. I am doing this in this manner, your Honor, in order to get Mr. Kenney back into operation as quickly as possible. The reason for that is that that is essential to his coming up with this loan.

THE COURT: You speak of the judgment being in the amount of $119,161. I would like that broken down into principal and interest.

MR. BENISCH: Certainly. I have it right here.

THE COURT: What is the principal amount?

MR. BENISCH: $107,815.49 principal. The balance is interest.

THE COURT: I would like you to amend this order not only to indicate the principal amount and the interest, but to set forth with specificity when the judgment was obtained and where it is lodged.

MR. BENISCH: Yes.

THE COURT: Now do we have a few moments for some other matters that I would like to know more specifically about?

MR. HARRIS: On or off the record?

THE COURT: I would like to know more about the Nome, Alaska judgment.

MR. HARRIS: That would be on the record then?

THE COURT: Whatever you choose. Do you think it should be off the record?

MR. HARRIS: Yes, I believe so. I can see many of us talking one on top of the other --

THE COURT: Well, I think I would prefer it on the record because I don't think we have any record concerning the matter of the judgment at all.

MR. HARRIS: Of the judgment?

THE COURT: Yes, the suit by Nome, Alaska.

MR. BENISCH: No we don't, your Honor. That was commenced after our last hearing.

MR. DUFFY: Your Honor, may I be excused?

THE COURT: Yes, you may, Mr. Duffy.

I think we will take a brief recess.

(Recess.)

THE COURT: Do you want to tell me as much as you know about this claim and what the posture of the proceeding is at the moment?

MR. BENISCH: Yes, your Honor.

During the early part of August - I forget exactly the date - the receivers, Mr. Tilney and, I believe, Mrs. Tilney received through the mail a copy of a summons and complaint filed by the City of Nome against Frederick Tilney, Adolph Tilney, Governmental Statistical Corporation, Tilney & Company, I. Allen Harris and Joseph C. Hogan, as receivers of Tilney and Company, and Federick Tilney. The amount demanded in the complaint is $4,000,000. Broken down, it is $2,000,000 against Frederick Tilney and Tilney & Company of that amount.

Now, in the middle of August, Mr.

Harris and myself traveled to Anchorage, Alaska for the purpose of handling some pressing estate matters up there, and during our stay there we took the occasion to visit with the attorney for the City of Nome, who, by the way, has his office in Anchorage.

In addition, Mr. Harris traveled to Nome itself on a side trip and discussed this matter with the City Council.

MR. HARRIS: The regular attorney for the City of Nome.

THE COURT: Is that comparable to our Corporation Counsel here, would you say?

MR. HARRIS: I would say so, although, you know, it is a city of unpaved streets and a boardwalk. It is quite a city, the City of Nome, within earshot of Siberia.

MR. BENISCH: In any event, your Honor, Mr. Harris visited the City of Nome prior to our conference with Mr. Cremo, who is the attorney for the City in this matter.

It was my impression from Mr. Harris that he, Mr. Harris, came away from Nome with the idea that this matter could possibly be settled on the basis of a wash. I will explain that, your Honor.

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Governmental Statistical Corporation rendered certain fiscal advisory service to the City of Nome in connection with a bond issue and sewer, water revenue bond issue, from which this suit stems.

According to Mr. Tilney, he put in a great deal of time and effort, and his bill to the City as of this time is somewhere in the neighborhood of $60,000 for this fiscal advisory service.

I believe the City of Nome has paid something in addition to that amount to Mr. Tilney, some $18,000 approximately.

So this would be in the nature, your Honor, of possibly a counterclaim here by Governmental Statistical Corporation against the City.

We -- meaning the receivers and myself -- were thinking possibly if we could settle this matter on the basis of we would withdraw our claim, or Governmental Statistical would withdraw its claim for $60,000 against the City, in return for which the City would discontinue with prejudice its suit against all of the defendants in the matter.

Mr. Harris felt that this was received with favor by the people in Nome, meaning the City

Council and the attorney.

However, in discussing it with Mr. Cremo, he turned down this offer, and his feeling was that any compromise or settlement of this matter would have to net the City of Nome -- and when I say net, I mean on a pro rata distribution -- somewhere in the neighborhood of $25,000. Now, if it took an allowance of $50,000 to net the City 25, that is what he wanted. In other words, he wanted a net amount to the City of Nome of 25,000, or in that neighborhood. And I must say, your Honor, we had extensive discussions with Mr. Cremo, I think it was 3-1/2 hours in his office, and unfortunately it became lengthy. Nothing was agreed upon here; we didn't even get, in my opinion, to the realm of reasonable amounts here.

As a result I took the occasion to visit with and subsequently to retain local counsel in Anchorage for the purpose of defending this action. The name of the law firm is Burr, Boney & Pease, and my discussion were with Mr. Don Burr, a member of the firm.

So at present the matter has been turned over to local Anchorage counsel for the purpose of

making whatever motions he deems advisable. Now we have made some suggestions as well for the purpose of filing an answer to the complaint. And that, basically, your Honor, is where the matter stands now at this time.

THE COURT: No answer has been interposed?

MR. BENISCH: I am told, your Honor, by Mr. Tilney, who has had discussions with Mr. Burr last week, that Mr. Burr did file an answer.

MR. TILNEY: He did file an answer. It is on its way to us now.

MR. BENISCH: He is sending us a copy?

MR. TILNEY: Yes.

MR. BENISCH: Do you know whether he filed any motions?

MR. TILNEY: He said he filed an answer. That is all he told me on the phone.

MR. BENISCH: I must say there is some lag in communications between Anchorage and here, so I am not fully currently aware of the proceedings up there at this time.

MR. GILHEANY: Is the action in the Federal Court or State Court?

MR. HARRIS: State Court, Nome, Alaska.

MR. BENISCH: Which also involves Mr. Burr's flying up to Nome for any court appearances as well.

MR. HARRIS: I don't believe that counsel indicated on the record what the nature of the substance of the lawsuit is.

The substance of the lawsuit against Tilney & Company is based upon written underwriting agreements whereby Tilney & Company agreed to stand by and take down these bonds at the maximum legal rate in the State of Alaska in the event they could not be sold elsewhere, and they were not sold elsewhere until many, many months after the deadline.

So, therefore, the suit against Tilney & Company is for the damages for failure to comply with an underwriting agreement. The suit against - or the cause of action against Governmental Statistical is based on some negligent preparation or performance of its fiscal advisory function, and also some conspiracy to damage the City of Nome.

There is no question but that Tilney & Company did sign letters, letter after letter after letter as these deadlines came and went whereby

it agreed to stand by.

At this point it becomes complicated. Mr. Tilney indicates that there are defenses, adequate defenses on behalf of Tilney & Company addressing themselves to the behavior and the machinations of various politicians in the City of Nome, and their refusal to do what is right and what they agreed to do and so and so forth. You have here a community of 2000 Caucasians and some Eskimos --

MR. TILNEY: Less than that. It is about 500.

MR. HARRIS: 500 Caucasians and Eskimos, and local politicians and the Federal Government waving lots of money around if they will put in a water supply and sewers, and so you do have these situations. It is unfortunate.

My conversations in the City of Nome was with the City Manager -- they have a manager form of government - where the City Manager and the local city attorney, and there is no question but that as far as those two gentlemen are concerned I thought we would have been able to resolve these disputes by waving or convincing Governmental to waives its claim for fiscal advisory services, and

they would forget about their claim against Tilney & Company. But when we dealt with the big city attorney in Anchorage, Alaska, Mr. Roger Cremo, who is a very competent counsel, represents one of the large banks in Anchorage, among other commercial clients, he is taking advantage of the distance and home ground, preferences, and, as Mr. Benisch was indicating, he is holding out for some net recovery in favor of the City, out of which I am sure he intends to get his fees paid.

So we are now at the point where we have to retain Anchorage counsel and incurring additional expense to the estate.

THE COURT: I am sure this question is simplistic, but was there a careful check on whether this service was proper?

MR. HARRIS: Mr. Benisch indicated we had fairly extensive discussions with Mr. Burr, whom we retained there, one of the leading law firms, Burr, Boney & Pease, and we indicated we wanted all these matters thought through, and we had some other motions we might suggest be made, although we were not sure that they would succeed,

and there has been somewhat of a lack of communication at the moment.

MR. BENISCH: I am afraid the question may be rendered moot, your Honor, in view of the fact that an answer has been filed.

THE COURT: I would certainly think so.

MR. BENISCH: I did discuss, however, the question of service and whether it be proper. There was an order of the Court authorizing the service by mail. Whether or not that procedure was proper I left up to Mr. Burr, and I would assume he checked into that before filing his answer.

MR. HARRIS: There were many contacts with the State of Alaska, there is no question about it; there were agents of Governmental and Tilney & Company present, and I am sure some of these papers may have been signed up there. Tilney & Company had an office in Anchorage. I mean, there is no question about it, Governmental Statistical was doing business up there.

MR. TILNEY: Governmental was served in the State of Alaska by service on the Commissioner of Commerce, who is in the same position as our Secretary of State in New York.

THE COURT: What is the state of their calendar, do you know? Or putting it another way, in due course how soon would this case come to trial?

MR. HARRIS: I believe is long rather than short; I believe it is something like a year and a half or two years, which works against us. When this happened, of course, all of our plans, which seemed to be working out well, were clearly given a tremendous shove in the wrong direction, because we now can't evaluate the distribution at all.

THE COURT: Why can't you get a preference in the circumstances of this particular proceeding? Why can't you make an application to the Court and set forth the fact that this estate is charged here and is under liquidation pursuant to receivership, and I think that the Court might very well understand that this is a kind of a problem which should be resolved at the earliest possible time rather than keep the estate in an unsettled condition.

MR. HARRIS: You are absolutely right, your Honor, but I am not too sanguine about going ahead with this trial, because I submit -- this is

not the receivers' final decision in this matter -- but the expense of preparing for a trial in this suit will be, in my opinion, shared by Mr. Hogan, who is not here at the moment, a significant part if not in excess of the amount that we can settle this thing for.

THE COURT: Why don't you settle it under those circumstances?

MR. HARRIS: We were waiting -- what?

THE COURT: Why don't you settle it under those circumstances?

MR. HARRIS: There is this lack of communication, and then, of course, we will have to bring on another application to your Honor because Mr. Tilney has indicated strong resistance to waiving the claim of Governmental Statistical no less than paying a few thousand dollars to the City of Nome and its attorney. Mr. Tilney is correct always in principle, but for some reason he is not practical all of a sudden, and he is a practical man. He has been in business all of his life.

MR. BENISCH: Your Honor, the other thing to point out here is, Governmental Statistical

is not under the --

MR. HARRIS: Not directly under --

MR. BENISCH: -- under the jurisdiction of our receivership at the moment.

THE COURT: Approximately $2 million is a claim against the Tilneys personally?

MR. HARRIS: Yes.

MR. BENISCH: Well, Tilney & Company and Frederick Tilney & Company, your Honor.

MR. HARRIS: As a general partner they have served Mrs. Tilney. We know she is only a limited partner; they apparently are not aware of that.

THE COURT: I suppose you can't answer this question at the moment. Has a demand been made for a jury trial or is it going out before the Court?

MR. BENISCH: I believe Mr. Cremo did indicate that he would want a jury trial. I would were I in his shoes.

MR. HARRIS: You must see the City of Nome to understand it.

THE COURT: I think I understand.

MR. HARRIS: Now Mr. Tilney has been

there. I don't know when the judge sits there or when he comes off the tundra, and the city attorney up there is incredible.

MR. TILNEY: Your Honor, if I might add my thoughts to the subject, since it has been a concern to me for a long time, and your Honor is aware of it, and I think it was one of the first things we discussed when you first took the case, the City has done a number of things that are an excellent defense, but probably in view of the venue that would be had up there, very little good law would be of much avail. Mr. Harris and Mr. Hogan discussed this with me and we have thought about it a little bit. Possibly a change of venue is indicated at an early date.

THE COURT: Let us go off the record.

(Discussion off the record.)

THE COURT: Is there anything further at this time?

MR. TILNEY: I think it would be premature until I get back from Nome.

THE COURT: Anything further, gentlemen?

MR. HARRIS: As long as we are ending on this happy note, if it involves permission from

the receivers, the receivers are not agreeable to Mr. Tilney traveling to Anchorage and/or Nome, Alaska, and I want to say it now so that I can't retreat from that position.

The second thing is, depending upon your Honor's calendar, I believe your Honor is slated to go away for a few weeks; is that correct?

THE COURT: Two weeks.

MR. HARRIS: This problem of Governmental Statistical is another matter that unfortunately will have to be brought before your Honor on formal papers again with respect to a proposed, in effect, compromise, perhaps, either a compromise or an application to compel Long Island National Bank and Mrs. Tilney to act in respect to a matter where they have refused to act up to date involving Governmental Statistical Corporation, so that we can move this thing along.

THE COURT: I will be glad to discuss my calendar situation with you and indicate a series of available dates, and if you will come upstairs to chambers I will look at my calendar. I don't have it with me.

MR. HARRIS: Well, we will be in touch with your Honor.

THE COURT: All right.

MR. HARRIS: Thank you very much.

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-against-

TILNEY & COMPANY
FREDERICK TILNEY,

Defendants.

67 Civil Action
File No. 4676

ORDER

At New York, in the said District, this 19th day of November, 1968:

An application having been duly made by I. Alan Harris and Joseph C. Hogan, Receivers of the assets of Tilney & Company and Frederick Tilney by Order to Show Cause, upon notice to the United States Securities and Exchange Commission, Tilney & Company and Frederick Tilney, to show cause before this Court why an order should not be made authorizing the said Receivers to accept the sum of $85,000.00 in full settlement and satisfaction of a certain judgment obtained in the Supreme Court of the State of New York, County of New York and duly entered with the clerk thereof on July 26, 1968 in the amount of $119,161.12, said amount consisting of $107,815.49 as the amount claimed and $11,345.63 in interest thereon and costs, obtained by said Receivers against D. Raymond Kenney, doing business as D. Raymond Kenney & Co., and due notice of the said application having been given to all of the above parties as provided by the order of this Court, and the application having come on to be heard before this Court on November 18, 1968, and a hearing having been held thereon, and I. Alan Harris, Receiver having appeared along with Wagner, Quillinan & Tennant Robert G. Benisch, of counsel, attorneys for the Receivers in support thereof, and the United States Securities and

Exchange Commission, Kathleen Warwick, of counsel, having appeared and raised no objection thereto and Frederick Tilney having appeared by Caldwalader, Wickersham & Taft, Severin F. Gilheany, of counsel, in opposition thereto, and no other opposition thereto having been made, and it appearing that the acceptance by the Receivers of the sum of $85,000.00 in cash in full settlement and satisfaction of said judgment against D. Raymond Kenney is in the best interest of the receivership estate, it is

ORDERED, that the application be and the same hereby is granted in all respects; and it is further

ORDERED, that the Receivers herein be, and they hereby are authorized to accept the sum of $85,000.00 in cash in full settlement and satisfaction of the judgment obtained by them in the Supreme Court of the State of New York, County of New York, against D. Raymond Kenney, doing business as D. Raymond Kenney & Co.; and it is further

ORDERED, that upon the receipt of said sum the Receivers be and they hereby are authorized to execute and deliver with respect to said judgment, a satisfaction-piece in accordance with Section 5020(a) of the Civil Practice Law and Rules.

New York N.Y.
November 19th 1968

Edward J. Edelstein

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

[1]

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v. 67 Civ. 4676

TILNEY & COMPANY and FREDERICK TILNEY,

Defendants.

Before:

HON. DAVID N. EDELSTEIN,

District Judge.

New York, April 7, 1969;
3:15 o'clock p.m.

APPEARANCES:

FRANKLIN ORMSTEN, ESQ.,
Attorney for Securities and Exchange Commission.

I. ALAN HARRIS, ESQ.,
Receiver.

WAGNER, QUILLINAN & TENNANT, ESQS.,
Attorneys for receivers;
Francis J. Quillinan, Esq., and
Robert G. Bemisch, Esq., of counsel.

PRESENT:

Mr. Tilney,
Mr. Klein.

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cents on the dollar what Governmental Statistical owes Tilney & Company. So in effect the credit of $44,000, although it will be entered on the books, it is felt will not result in any loss or sacrifice to Tilney & Company. In exchange for this arrangement we propose to wind up the matter with the City of Nome and have the action discontinued.

In this connection, I have prepared a petition setting forth a little more completely the facts that I have just stated, which I have taken the liberty to clear with the clerk, and I would like to submit to the Court today, petition the Court for approval to settle the matter on this basis. I submit it to your Honor at this time.

THE COURT: Has the SEC seen a copy?

MR. HARRIS: No. You are asking for the order to show cause.

MR. BENISCH: Yes. I am asking your Honor to sign the order to show cause making the petition returnable at your Honor's convenience, and we will then serve a copy on all of the parties.

THE COURT: All right.

MR. BENISCH: Another matter which has come up is the matter of the sale of Mr. Tilney's home out in Centre Island, New York. Mr. Hogan, who was unable to

be here, but perhaps will be here later on, has been detained up in court in The Bronx, has been successful, through a broker, in obtaining a firm bid of $150,000 for the property in Centre Island. This property was appraised at somewhat less by our appraiser, independent appraiser, and it is felt by the receivers and myself that this would be a very good price to receive for this property from the standpoint of receivership. There is a mortgage in excess of $20,000 on the property. Minus approximately $9,000 brokerage commission would net us somewhere in the area of perhaps $120,000 for this piece of property.

Again, this will be subject to Court approval and will be brought on by petition before the Court. We are doing this frankly because there has been some reluctance expressed by Mr. Tilney as to the necessity of selling Sundown, this house in Centre Island, and both the receivers and I felt it would be best not only for that reason but also to advertise for higher bids than $150,000, and if there are no higher bids received on the return date of the petition we will knock it down to the present offeror. If there are higher bids we will have in effect what might be an auction sale right on the return date of the petition. In that way we

would possibly receive the maximum price for Sundown that would be available at this time. A contract is presently in the hands of the attorney for the purchaser and as soon as I receive the signed contract back I will petition this Court on behalf of the receivers. The mechanics will be set forth in the petition.

A third matter that has taken place, again which we will petition the Court for, is in connection with the obligation due Tinker National Bank by Frederick Tilney. There is an obligation of $98,000 on a note signed jointly by Frederick Tilney and his wife Dorothy, and we have arranged with Tinker National Bank to accept a piece of property in Centre Island which is owned by Frederick and Dorothy Tilney as tenants by the entirety and appraised at $25,000 by our appraiser. Tinker National Bank will accept this property and reduce their claim against the receivership by a like amount, $25,000. They will then file a proof of claim for the difference between $98,000 and $25,000.

We feel this is an advantageous arrangement to the receivers in light of the fact that this asset, this piece of property, is owned as tenants by the entirety, and since Dorothy Tilney is not a party or is not under the wraps of this receivership, we would have a difficult

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time obtaining any sort of a fair price for this piece [7] of property. Anybody who is buying it would be buying the gamble that Fred would outlive Dorothy and they thereby would be getting clear title to the property. Otherwise Dorothy still has her undivided one-half interest in the property. Again, this will be brought on by petition before this Court within the next week or ten days.

Basically, those are the developments that are presently pending. I will leave to Mr. Harris the portion of this report with respect to the liquidation of assets or the attempted liquidation of assets presently on hand.

MR. HARRIS: At the moment we don't have too much good news to relate compared to the good news concerning liquidation of assets of the size of Sundown, $150,000, and the other assets. What we have left is still the block of stock of this Alaska bank called Matanuska Valley Bank with no bids whatsoever for a block of that size or for any portions thereof. Our correspondence is mainly with the principals of that institution, and at the moment we are awaiting further replies from them in Alaska to see if anything can be developed.

Another block of stock of City Commerce Corporation, which is an Alaskan bank holding company controlling the Alaska State Bank, has begun to show some signs of life. Mr. Tilney watches the pink sheets even more daily

the Bureau of Indian Affairs in Washington.

THE COURT: Mr. Harris has indicated too that you are of the opinion that the indebtedness here can be liquidated a hundred cents on the dollar without the need of selling Sundown. Would you please let me know how you have arrived at that conclusion.

MR. TILNEY: Well, sir, the best way I can do it is this, to give you a copy of some of these reports that I have sent in to the receivers.

THE COURT: No, I don't think --

MR. TILNEY: You would like to have a brief.

THE COURT: I don't think that is going to be helpful. I would like to have some statement from you for the record as to how you expect this estate to be liquidated a hundred cents on the dollar and to have the creditors made whole without the need of liquidating Sundown or any other property.

MR. TILNEY: Very well, sir. I have established the total debts of Tilney & Company. I feel we should keep Tilney & Company separate from Frederick Tilney, unless Frederick Tilney has to make up the deficit of Tilney & Company.

The total debts of Tilney & Company that will have to be paid are $360,000. That is as I can determine.

Of these $96,000 can be settled by exchange and offset.

THE COURT: What does that mean?

MR. TILNEY: That means that some are inter-company debts that would be exchanged within the companies, the corporations that are affiliated. One small item of $3,000 would be offset by a lawsuit. It will either be a surety case, pay off a broker, or it will be a customer fraud case where we will have to go after the customer for fraud. Either way it will be paid. The surety company has assured me that they will make the money available either way.

That leaves $264,000 to be distributed in cash, provided all these small claims can be proved in. As we analyzed the claims, we found that we had 62 customer claims on hand and we have 33, as I indicated before, of less than $700, not on hand, we have 12 of $3600, we have 13 $500 to $1,000 -- most of these are cash claims too, not securities -- claims over $1,000 not yet heard from are nine, a total value of $45,500. This causes a total of $215,000. The balance of the items of Tilney & Company -- bear in mind, sir, the claims in, $152,000, probably settlement value of 1/1, claims outstanding would be the difference between that and 215. In other words, approximately $75,000 not yet in.

With $2[illegible],000 claims of customers and the due

by broker, the rest of it runs into overlap claims plus the claim of the City of Nome, which your Honor is being asked to conclude a settlement on, this brings it up to 360, from which we take the $96,000 of offset claims, leaving 264, and as of the present juncture the receivership has in its possession or will have available when certificates of deposit mature with interest and so forth by mid-July $262,000. This is Tilney & Company's money, not mine. It is all Tilney & Company. Plus the securities that Mr. Harris was discussing of the City of Commerce, the Matanuska Valley Bank, 3200 shares, some indeterminate value on the City of Commerce, which we believe the debentures will be paid at par probably this year, and the stock itself will probably be worth -- well, we know its bid now on the market is 25 cents and probably higher. So those two items alone will produce close to $150,000.

Apropos of these things, these figures, I think that Tilney & Company definitely will pay off on its own, without regard to me.

My debts are a little bit different. There are three categories. Commercial accounts, $20,000, which Mrs. Tilney has already paid several thousand. The loan at the Tinker National Bank of $98,000, actually

I signed a note the other day for $108,000 including all interest and the consolidation of a small additional indebtedness, and there will be one claim coming in from Tinker which I have to bring to their attention on a note that I endorsed on a company that I had no connection with, which covered a matter of about $300 or $400. The other obligation that I have is to my children.

I spent Friday afternoon with the officers of Tinker National Bank. They have made a proposal which they would like reflected to the Court, and they will put it in writing, that they will remove the obligation of $96,000 from the receivership in exchange for collateral assets which they value and which the receivers don't give any credence to, namely, the notes of Governmental Statistical Corporation, and they are looking to Mrs. Tilney for half of that note because she is co-maker, not an endorser, and they have agreed to accept from her certain securities. In the meantime, the Tinker National Bank has also agreed to clear the one remaining indebtedness to a bank of Governmental Statistical Corporation by direct loan, which frees up all cross guarantees at the one remaining bank and releases some $35,000, $33,000 or $35,000 of cash presently held by the bank under the cost guarantees immediately to the receivership, and that is included in the $262,000. I knew this would be

accomplished when I wrote it.

The matter of the children's indebtedness or our indebtedness to the children, tomorrow morning at 9 o'clock Mrs. Tilney and I are meeting with the Honorable John D. Bennett, Surrogate of our County of Nassau, for the purpose of appointing necessary to procedures for validating transfer of assets to the children to liquidate our obligation to them.

That is my part of the report. In other words, we are at the end of the line. If you would like me to put this in a documented form for your Honor, a very simple figure, I will be glad to do it, and I am sure that Dr. Greidinger's people will be glad to check it and say that it is substantially correct on the basis of their records.

THE COURT: If there is any document to be submitted I suggest you submit it to the receiver and counsel here.

MR. TILNEY: All right.

THE COURT: Did you wish to address yourself or make any comment on this version of the financial picture just rendered by Mr. Tilney?

MR. HARRIS: I don't think much will be accomplished by nit picking. As I indicated earlier, I

don't have time really to digest the substance, the form of Mr. Tilney's presentations. As an example, for him to say glibly that 73,000 shares of City Commerce can be liquidated at 25 cents a share even if there is a pink sheet quotation today for some shares at 25 cents is just incredible. The man has been living with us seven days a week, morning, noon and night, telephones galore. We authorized the sale at 18 cents, 20 cents. We have gotten off 4500 shares. For him to come in here and tell the Court that he can sell today 73,000 at 25 cents, well, where was he yesterday or last week or the week before. It just doesn't make sense.

He has been helpful to us, but he is causing us a considerable amount of aggravation here. As late as our last meeting, which was just a few days ago, before the holiday, I asked him point blank does he feel that Sundown has to be sold, and he said no, it doesn't have to be sold. He comes in here today with a proposed agenda and he sort of acquiesces that Sundown will have to be sold.

This is exactly why I have insisted and cautioned counsel and co-receiver and all that that from now on apparently we are just going to have to bring on everything by order to show cause and increase the administrative load here. That is the only way to pin it down once and

for all.

I recognise we have characterised Mr. Tilney before as being optimistic, and Lord bless him for being optimistic. It is better than, perhaps, being completely pessimistic. But a little realism would help also. He is not helping us any. We don't know whether to go ahead towards doing something or accomplishing something or not.

Things do not look bleak at all. I don't think so. I don't think counsel think so. Not at all. Frankly, it may not be fair, unfortunately, to the customers, creditors, the Court and the petitioner in this proceeding, but if we could all sit back and take as much time as Mr. Tilney likes, undoubtedly all these securities will recover -- I shouldn't say "recover" -- will perhaps be salable at higher values, but that isn't fair to the customers, creditors, the petitioner and this Court. We are not here to speculate on the future market in securities or real estate. I think Mr. Tilney knows that. He is not a child. He shouldn't say we should hold on because a year or two or three from today some security will be worth more than it can be sold for today. These things just aren't of the sort that can easily be sold, and I think he should recognize that we have to take a bid when we get it. We just can't sit back.

It has been suggested to him on any number of occasions that if he could come up obviously with friends, acquaintances, relatives or others we would be delighted to sell them some or all of the securities or real estate. Obviously, your Honor, we don't need your Honor's powers from day to day to do these things. It wouldn't be fair to your Honor. That isn't the nature of this sort of a proceeding either.

Perhaps at the moment I feel a little pressed by the printing press of Mr. Tilney. I dislike coming in here, being given something just as I am ready to sit down and haven't had time to read it either.

THE COURT: Does the SEC wish to be heard?

MR. ORMSTEN: Your Honor, I would just like to clarify one thing. Perhaps Mr. Benisch said it but I didn't hear it.

THE COURT: Please keep your voice up.

MR. ORMSTEN: Perhaps Mr. Benisch remarked on it before, but I wasn't clear.

Did I understand you to say that as to the property that has been denoted the swamp that that was held by the entirety --

MR. BENISCH: It was held by Frederick and Dorothy Tilney.

end of the road. We want to do everything that is conceivably possible to bring this estate out of liquidation at a 100 per cent if possible or close to that and preserve whatever we can for you. This is why we have been so patient and this is why we have been following this course.

Now, this estate has been in the throes of being wound up for a long time. It could have been wound up very quickly because the function of the receiver in these circumstances would have been to liquidate at the earliest most efficient and quickest possible time. We didn't follow that block-buster approach. We didn't put everything under the hammer because we thought we would sort of attempt to stabilize and feed out. I think to the extent that that has been done we have, I think, done better than would have been the fact had we just picked up the wire and just said here it goes.

MR. TILNEY: No question.

THE COURT: However, we can't continue this indefinitely. We just can't continue this indefinitely, because the receivers have the legal obligation to wind up this estate. Now, we want to wind it up.

MR. TILNEY: That is correct, sir.

THE COURT: We want to wind it up. If we can get more for Sundown than $150,000, well and good. If we

who are interested in this casino and who would like to put this deal together whereby they can borrow more money with the stock of Matanuska in there, so on and so forth.

It sounds wild, but if they are offering 30 there is no harm in asking for 40 in a transaction of that sort, and it might be we can bail it out at a good price. It is worth exploring.

I have made no other efforts in that direction. Mr. Harris was up in Alaska last year. He knows the situation. The Matanuska Valley was in poor shape after the disasters. It is apparently now turning the corner and it may have some value. As you know, Mr. Howard Hughes is interested in Las Vegas and he is also interested in Alaska.

THE COURT: Apart from that, do you have any other thoughts about how these shares can be placed?

MR. TILNEY: Only through the bank officers themselves, as we did with other stocks.

THE COURT: Have they indicated any interest?

MR. TILNEY: They have not. They did not in December. I will say that they said, Well, you can sell couple hundred shares at 25, 200,300, so forth. But this telephone call I thought was interesting. It came in Friday afternoon. I had a very busy day Friday between Tinker and that.

debts by appropriate collateral and so forth, which moves it out of the responsibility of the receivership.

THE COURT: When do you think we can liquidate 100 cents on the dollar?

MR. TILNEY: Well, sir, I was going to make a suggestion. On the basis of my figures, which I would like to have the receivers check, I feel that outside of administrative expenses, which I do not have a figure on, other than some that I know of, small items, that we are in a position to pay off the customer claims and similar claims at 100 cents on the dollar today with the exception of the administration expenses, and I think we should have a figure on these shortly. I imagine the receivers will be turning in some figures and at that time we will know exactly what we need.

We have $261,000 in claims and I come up with $264,000 needed to pay out Tilney & Company without touching or selling another thing. I would certainly think I could arrange financing to take care of the difference.

MR. BENISCH: Your Honor, our accountants show a total claims filed to date of $315,800.

MR. TILNEY: That includes $98,000 of Tilney National Bank.

MR. KLEIN: That's right.

SOUTHERN DISTRICT OF NEW YORK

APR 15 1969
S. D. OF N. Y.

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-against-

TILNEY & COMPANY,
FREDERICK TILNEY,

Defendants.

67 Civil Action
File No. 4676

ORDER

At New York, in the said District, this day of April, 1969:

An application having been duly made by I. Alan Harris and Joseph C. Hogan, Receivers of the assets of Tilney & Company and Frederick Tilney by Petition and Order to Show Cause, dated April 7, 1969, upon notice to the United States Securities and Exchange Commission, Frederick Tilney, Tilney & Company, Dorothy M. Tilney and Governmental Statistical Corporation to show cause before this Court why an order should not be made authorizing said Receivers to settle a certain action commenced by the City of Nome, in the Superior Court for the State of Alaska, Second Judicial District against Tilney & Company, Frederick Tilney, Dorothy M. Tilney, I. Alan Harris and J. C. Hogan and Governmental Statistical Corporation as defendants upon the terms and conditions set forth in said Petition, and due notice of the said application having been given to all of the above parties as provided by said order to show cause, and

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the application having come on to be heard before this Court on April 15, 1969, and Wagner, Quillinan & Tennant, by Robert G. Benisch, of Counsel, attorneys for the Receivers and I. Allen Harris and the Securities and Exchange Commission having appeared in support thereof, and no opposition thereto having been made, and it appearing that the settlement of said lawsuit upon the terms and conditions set forth in said Petition is in the best interest of the Receivership estate, it is

ORDERED, that the application be and the same hereby is granted in all respects; and it is further

ORDERED, that the Receivers herein be, and they hereby are authorized to

1. pay to the City of Nome, out of the Receivership estate the sum of $20,000 in settlement of the action commenced by the City of Nome against Tilney & Company, Frederick Tilney, Dorothy Tilney, I. Alan Harris, J. C. Hogan and Governmental Statistical Corporation; and

2. credit Governmental Statistical Corporation in the amount of $44,000 on the books of Tilney & Company, such amount to be credited against the obligations (principal and accrued interest) enjoying the leased seniority in right of payment.

Lawrence Pierce
U.S.D.J.

[1]

UNITED STATES DISTRICT CO*RT

SOUTHERN DISTRICT OF NEW YORK

SECURITIES & EXCHANGE COMMISSION, Plaintiff, against TILNEY & COMPANY and FREDERICK TILNEY, Defendants.	67 Civil 4676

New York, New York
June 5, 1969
11:30 A.M.

Before:

HON. DAVID N. EDELSTEIN,

District Judge.

APPEARANCES:

FRANKLIN D. ORMSTEN, ESQ.,
Attorney, Securities & Exchange Commission.

CADWALADER, WICKERSHAM & TAFT, ESQS.,
Attorneys for defendants,
WILLIAM MOWRY CONNELLY, ESQ., of Counsel.

I. ALAN HARRIS, ESQ.
JOSEPH C. HOGAN, ESQ.,
Receivers.

WAGNER, QUILLINANT & TENNANT, ESQS.,
Attorneys for receivers,
ROBERT G. BENISCH, ESQ., of Counsel.

Also Present:
Mr. Frederick Tilney
Mrs. Tilney

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THE COURT: I suggested to Mr. Harris that we call a conference this morning because of the matters that he reported to me on June 3rd after having communicated with my chambers on June 2nd for an appointment, and I thought that the entire matter ought to be spread on the record, and that is the prime purpose for our convening now, and I will suggest that Mr. Harris proceed to do just that.

MR. HARRIS: Last Wednesday just before the holiday at a meeting in my office with the other receiver and counsel, Mr. Benisch, and Mr. and Mrs. Tilney, Mr. Tilney raised a charge or an innuendo or suggestion that I had become a director of the Waddington Bank, Waddington, New York, and that this was improper or unethical. The background is that the stock of the Waddington Bank had been among the assets of the estate, and additional stock of the Waddington Bank was owned by Dorothy Tilney individually and Dorothy Tilney as fiduciary for several of her children, having nothing to do with the estate.

In line with the duties of the receivers when we took over, we sought to liquidate assets, we sought to do some inquiring into the value of the assets, and we sold other securities and other assets,

and in the late spring, Mr. Hogan, co-receiver, believing that he had authority from myself as co-receiver to sell the stock at $47 a share, advised Blythe & Company on the telephone that they had the stock at $47 a share, the stock belonging to the estate. At that time, of course, and for some time prior thereto I had been negotiating or seeking to convince an old friend of mine to acquire the block of stock of the Waddington Bank at a better price than that, at about $50 a share. When Mr. Hogan advised me of the $47 I expressed surprise and stated to him that he had not had my authority, and this I believe was at the very end of May of 1968.

During the next few weeks I had several conversations with Blythe & Company or the registered representative of Blythe & Company, telling them that I had a $50 bid, would their person match or better the bid. On several occasions I sought to induce them to hold an auctiotion down in their office or board room, and there were other aspects of the deal, but I indicated to him previously that the banking department of the State of New York had requested informally that I advise them in advance as to who might be the purchaser for this block of stock of the bank, Deputy Superintendent

Gathamn in question, and over the next few weeks during the month of June nothing was resolved with Blythe & Company, and on July 10 Mrs. Tilney individually authorized her bank, Long Island National, Hicksville, to deliver 96 shares of stock, the 96 I am referring to which had nothing to do with the estate, against payment of $50 in conjunction with the other sale of the estate stock, and on or about July 19 or July 20 the Long Island National I believe delivered the stock and they received payment and advised us of the receipt of the payment, and I assume they paid Mrs. Tilney her money in the estate; they didn't pay the estate most of its money because they were in a pledgee position, they took the money and they held it, and that was the end of the matter.

In the late fall -- this is in July -- in the late fall, actually I think it was in December or in January, I was requested as a result of the picture that developed at this institution, the Waddington Bank, I was requested by Mr. Stubley to go on the board with him at the January meeting, and at the January meeting I was elected as a director. In order to qualify as a director Mr. Stubley transferred, not beneficially, but of record, transferred the necessary qualifying

shares into my name.

I am not the counsel for the bank. I am not getting any money out of it. I get $15. I attended a directors meeting at $15 a meeting, and there are many, many headaches at the institution. But my co-receiver and counsel are not aware of where, and I am not aware because subsequent to this discussion of Wednesday afternoon, on Thursday I had occasion to attempt to reach Mr. Tilney in connection with other matters to move this estate forward, and I felt that he would refuse to talk to me; he hung up or said he was too busy on two occasions to talk to me, and so at the end of the weekend -- that was Thursday afternoon, and after the weekend I contacted your Honor on Monday.

THE COURT: Well, is it fair to say that the events that you have just described now were not revealed to the Court or to your co-receiver or to Mr. Benisch until this past week?

MR. HARRIS: No, that is not fair to say. I described many events, most of which --

THE COURT: Well, perhaps I ought to be more precise: Is it fair to say that the information that you have just indicated, that the shares were sold for

$50 to a friend of yours, together with the fact that you were elected to the board on January 6, 1969 --

MR. HARRIS: January 15.

THE COURT: January 15, 1969, and that qualifying shares were transferred to your name, were not known to your co-receiver or Mr. Benisch?

MR. HARRIS: The only thing that wasn't known was the election to the board. They knew that I was negotiating with a very old friend of mine. Mr. Tilney knew that.

THE COURT: Certainly this Court had no awareness of recollection of that.

MR. HARRIS: That is true. That is true.

THE COURT: Do you wish to make any statement in connection with it, Mr. Hogan?

MR. HOGAN: Well, I can confirm the statement of Mr. Harris, that I had no knowledge of his directorship in this bank until I was told about it by Mr. Tilney about one week ago, and I then asked Mr. Tilney to set up a meeting, which he did, and that it should be spread on the record at the meeting in the presence of counsel and my co-receiver. And I said that I would take no cognizance of it until we did have a formal meeting and spread it on the record, but I did

not know anything about his being a director of the bank or having any stock in the bank until that time.

THE COURT: Mr. Benisch.

MR. BENISCH: I would repeat what Mr. Hogan has said insofar as not being aware of Mr. Harris' being a director of the Waddington Bank until perhaps ten days or two weeks ago or any stockholding interest therein. I was aware at the time that the stock was sold that Mr. Harris had been negotiating with a friend of his for the purpose of getting the best possible for the stock.

At the meeting that Mr. Hogan referred to which was held, I believe it was a week ago yesterday, I attempted to elicit from Mr. Tilney just what his specific allegations were here and what, if anything, he intended to do about it, and at that time Mr. Tilney expressed the feeling that he was not going to do anything about it but he was going to pursue an investigation and rely on the advice of counsel. I see that Mr. Tilney has counsel with him here today, and it is my feeling that I would like to have some indication from Mr. Tilney as to just what his position is with respect to this development and what he has in mind by bringing this up and creating the issue.

MR. HARRIS: Isn't it a fact that Mr. Tilney said he wouldn't have anything to do with it or wouldn't talk to me in the future?

MR. BENISCH: Well, this is one thing, yes. I had occasion to speak with Mr. Tilney on the telephone Thursday, the day after the meeting, and he had called me and asked me to get some information from Mr. Harris. I think it was the name of the surety company on the receivers' bond and the policy number. I said that this was in Mr. Harris' possession, he could probably get it from him. He said he was not talking any longer to Mr. Harris. I suggested that Mr. Tilney have his counsel contact Mr. Harris in that event.

THE COURT: Well, on that point Mr. Tilney called my chambers, and one of my clerks talked with him in connection with his request for information in connection with the surety bond and I think Mr. Tilney at that point indicated to my clerk, when he suggested that he call Mr. Harris, that he did not want to call Mr. Harris, and that he was referred to the clerk's office. I think that is correct, isn't it?

MR. TILNEY: Perfectly correct, your Honor.

THE COURT: I would like to hear from the SEC.

MR. ORMSTEN: Your Honor, we were only apprised of the bare facts and the factors here late yesterday afternoon. In consequence, we have come here, I have come here representing the SEC to learn more. I would in connection with this attempt to learn more like to raise a question. I wasn't perfectly clear on all that Mr. Harris has related. May I ask on the record a question because I would just like a clarification?

You said, Mr. Harris, in your opening exposition of this problem that the shares were selling for $47 and were being offered by Blythe & Company, is that correct?

MR. HARRIS: No, I did not. There was no market for the shares of the Waddington Bank. Mr. Hogan, in pursuit of his duties, on previous occasion -- in fact we had just finished selling through or to Blythe & Company a block of stock of another bank. We were soliciting bids for our various inactive holdings through Wall Street houses and elsewhere. At that time apparently Mr. Hogan, with Blythe & Company, had gotten Blythe & Company to bid for the block of stock $47 a share. Mr. Hogan thought he had my authority to sell at $47, that it was a satisfactory price, and he

was $52.50 a share. That was December 31, 1967, and

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in effect orally confirmed the sale to Blythe, and they issued a confirmation to the receivers, saying that they had bought the block of stock at 47. I was then engaged in convincing Mr. Stubley to buy it at $50 and therefore I in a sense rejected the Blythe confirmation, the trade.

MR. ORMSTEN: What was the time involved between the time that Mr. Hogan had negotiated in part the transaction with Blythe & Company at $47 and the time which Mr. Stubley purchased the shares at $50?

MR. HARRIS: I don't have a copy of the Blythe confirmation. I think the Blythe confirmation was probably at the end of May. During the next several weeks there were lots of telephone calls and arguments and attempts to resolve this thing on the phone. The actual written agreement to sell or of sale with Mr. Stubley was July 12. In other words, five weeks or so.

MR. ORMSTEN: At that time, Mr. Harris, you say that there was no market as such, actual trading in the stock?

MR. HARRIS: That is correct.

MR. ORMSTEN: There was no over-the-counter?

MR. HARRIS: Absolutely not.

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MR. ORMSTEN: No bid or offer quoted?

MR. HARRIS: That is correct.

MR. ORMSTEN: You also did say that there were transfers to you in connection with the assumption of the directorship shares. How many shares were sold, may I ask?

MR. HARRIS: 883 and a fraction.

MR. ORMSTEN: Of that amount how many transferred to you?

MR. HARRIS: The necessary amount, 100 shares. They were recorded and registered in my name, and that was in January of this year.

MR. ORMSTEN: Your Honor, it would seem to me at this preliminary stage that one essential fact would be the question of the value of the shares, and I direct my initial inquiry to Mr. Harris along those lines because I feel if they set a price that could have been obtained then I don't know how the creditors would have been hurt. I think that would be the gravamen of any criteria that we would look to, have the creditors been hurt or not. On the other hand, if they were sold at a lesser value we would be inclined to take a somewhat different view. So initially we are concerned with the question of value, the value of the

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shares.

THE COURT: Well, you have anticipated one part. I might as well put that to rest here and now. Your agency is made up of experts. Can we get the SEC to put a valuation on these shares? There are valuation experts in the field for different purposes, for the purpose of valuation of shares of stock, for the purpose of merger where stockholders are disgruntled and do not feel that the tender offer is fair, and we have valuation for purposes of estate purposes and a multitude of other areas in which valuations are indicated.

Now, in view of the participation by your agency, and its very paramount function, which I have stated repeatedly ad nauseam, I might say, that you are protecting the public and the creditors, and I think perhaps it would be desirable as well as advisable for your agency to put a valuation on these shares of stock. You have the know-how and have the help, and that problem isn't going to be too complicated from the standpoint of time consumption or effort.

MR. ORMSTEN: Well, to the extent that we can present to the Court a valuation we shall make every effort to do so, but I would, without quibbling, make

this point: If the Court perhaps, just talking in general terms, said the SEC could put a value on them, we would attempt to find out what the value would be given by experts or people who have expertise, and we would report that to the Court.

THE COURT: Before we depart from this particular area, I can draw on my recollection concerning the sale of the stock as reflected on the record that at the time of the discussion about the shares of these stocks and the price offered by Blythe & Company which stated that there was no opposition, in fact there was consent by all concerned, including the SEC, but of course at that time we weren't aware of the additional facts that have just now been stated on the record.

Now, I would certainly be pleased if the SEC would undertake a valuation and prepare a report for the Court at the earliest possible time. I think it is not only necessary from the standpoint of the Court and of all of us seated around the table, but certainly very important for the SEC to know how this valuation compares with the actual price of the stock as it was finally effected.

MR. BENISCH: Your Honor, may I inquire as to what date the valuation is that you are looking for?

THE COURT: Well, I haven't thought too much about it, but I suppose the valuation would be as of the time of the sale, would it not?

MR. BENISCH: I agree.

THE COURT: But if the SEC prefers to use any other time schedule or timetable, I am prepared to consider that, too. I am not committed to any time at this moment, but I would certainly think that at least one of the time periods that ought to be considered in this valuation is as of the time of the sale, but you agree.

MR. BENISCH: It would seem to me that that would be certainly one of the essential times.

THE COURT: Now, you represent Mr. Tilney, do you not?

MR. CONNELLY: Your Honor, my name is Mowry Connelly. I am associated with Cadwalader, Wickersham & Taft and we represent Mr. Tilney. As an individual I have been informed of these events recently, and Mr. Tilney has consulted with other counsel including Mr. Clarke of Cadwalader, and I would prefer that Mr. Tilney speak on his own behalf.

MR. TILNEY: Everything I have heard here this morning is correct, your Honor, and as far as the

valuation is concerned I would feel that the proper time would be at or about the time of sale. I agree with that entirely.

On May 29 I did give a memorandum to the receivers at a meeting we had indicating that the Waddington Bank stock was controlled stock, and that as controlled stock it would have a higher value than book value, and the book value we established at around $70 a share. The higher value would be a problematical matter. The receivers had told me that they weren't sorry to sell anything at any price to raise funds for the benefit of creditors, for which I was one hundred percent in accord. The only question I raised in this issue now was a proper appraisal made of the stock and were proper efforts made to find the highest value. This is something which I am counselling with firms that are in this field now, and I would further report to this Court that during the course of this transaction the stock was offered to me by another firm at $65 a share.

THE COURT: Well, will you tell me the firm?

MR. TILNEY: Yes, Brill, the name of the firm.

THE COURT: Brill & Company?

MR. TILNEY: Brill & Company.

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THE COURT: What is their address?

MR. TILNEY: I haven't got the address. I can get it for your Honor.

THE COURT: Are they on Wall Street?

MR. TILNEY: They are. They called me at my office in Long Island, and I reflected this to the receivers. Apparently somebody was moving the stock around.

THE COURT: Who is "they"? Do you have any names?

MR. TILNEY: I have no idea. I only know that the stock was offered to me in the presence of a witness at $65 a share.

THE COURT: Well, the "they" who called you, did they say --

MR. TILNEY: It was Mr. Brill who called me. He is a trader in over-the-counter bank stock, whom I did not know, and he made this offer to me.

THE COURT: Are these the precise 883 shares?

MR. TILNEY: No, it was not the precise 883 shares; it was a slightly lesser amount; it was 675 shares, because I didn't know where the stock could possibly come from because it was controlled stock. You see, your Honor, this bank has a total outstanding

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capital of 2500 shares. Of those shares approximately 300-odd are not what would be called live shares, the bank having been reorganized under the Spokane method of reorganization of banks in the thirties, and the stock was widely distributed to former depositors, many of which passed out of the picture, and the bank had no contact with them. Therefore a block of roughly 900 shares is and was effective control.

MR. HOGAN: May I make a statement, your Honor?

THE COURT: Yes.

MR. HOGAN: With reference to the offering price to Blythe, it is my recollection that Mr. Tilney knew that I was offering it at $47 to Blythe, and as a matter of fact I had a counteroffer at 45-1/2, which I turned down, but I reinstated my offer of 47, and when they accepted the offer there wasn't any objection, as I recall, on the part of Mr. Tilney. As a matter of fact, at a meeting where we discussed the matter, I did insist that my co-receiver had agreed that this was the price and that I, as receiver, had a moral responsibility to deliver the stock, and I know that Blythe & Company bought in the contract from its customer at a loss of about $4,000, according to my recollection. But there was no objection on the part of Mr. Tilney to our offering

it at $47.

MR. BENISCH: I would point out, your Honor, that I was present at the meeting as well at the time that this matter was discussed on selling the shares of stock, and I am quite sure that Mr. Tilney made no objection to the sale of the stock to Blythe at 47. I in fact don't even recall him saying he had established a book value for the shares of stock. When he says "we," I believe he is using the royal "we". The receivers and myself or anybody else involved in the administration of this estate never arrived at a book value of this stock. I know Mr. Harris was attempting to examine what financial data there was available to the bank, but I don't recall any statement that this stock was worth more than $47 a share at the time we discussed this matter at the meeting in Mr. Harris' office, and in fact, I got the impression that both Mr. Hogan and Mr. Tilney were quite satisfied with having gotten any bid at all for the shares of stock. Subsequently, Mr. Harris got a greater bid, and and then at the time the offer of $50 a share was accepted I don't recollect any objection having been made by Mr. Tilney. I for one was surprised and delighted that we did get $50 a share for them, based

on what I had learned of the bank.

MR. ORMSTEN: What was the date of sale?

MR. HARRIS: July 12, 1968.

MR. ORMSTEN: And the date Mr. Hogan --

MR. HARRIS: I believe the end of May. Five weeks before.

MR. ORMSTEN: Your Honor, may I just ask a general question? I am given to understand there was in the estate other stock for which there was no market, that is, stock which was not being actively traded on the exchanges or over the counter, and in consequence, selling it you would have to find a buyer through negotiation outside the regular market. Did the estate adopt a regular procedure for the sale of this stock in the sense of auctions or any method by which feelers were sent out to buyers? I am just curious in respect of other stock, let us say, leaving aside Waddington for a moment, if there was a set procedure such as auctions.

MR. HARRIS: We had occasion to discuss the ultimate resort, that is, auctions at which the stock or other assets would be sold without regard perhaps to a reserve price of perhaps with a reserve price, but up to now we hadn't. We had in the case of other inactive

stocks in question, of course, with the assistance of Mr. Tilney and others watching the pink sheets and contacting, for example, the presidents of the respective institutions or the vice presidents as to whether they had any customers who were interested in buying shares of stock. Attempts were always made with the individual corporations themselves and their officers.

MR. ORMSTEN: Were those attempts made in the instance of this stock, the shares of Waddington?

MR. HARRIS: Yes. I called on the phone one of the directors on two occasions up in Waddington, New York. I called Mr. Henry Howard, who was a director and counsel for the bank up there, and told him that we had the block of stock and asked whether there was any interest in buying the block of stock and what price and so forth. He advised me that the stock was being bought very infrequently; he would find an estate had six shares or 16, perhaps, or something, and that the numbers he was using were $23 a share, $25 a share, which subsequently has been confirmed to me, that Mr. Hansen, the president of the bank, and Mr. Howard, a director of the bank, have purchased shares of stock of this bank once in a while when it becomes available generally through an estate or a person wants to sell up

there at prices below $35 a share.

MR. ORMSTEN: Where is Waddington?

MR. HARRIS: Up on the St. Lawrence Seaway, equidistant between the cities of Ogdensburg and Messina; the Village of Ogdensburg and Messina.

MR. ORMSTEN: Do I understand you to be saying, Mr. Harris, that there has been a sale made of the stock or sales for a year or two in small lots?

MR. HARRIS: Not to my knowledge. I understand it from Mr. Hansen, from Mr. Howard -- Mr. Hansen is the president and Mr. Howard a director and general counsel of the bank, and from Mr. Strathdee, the vice president and cashier of the bank. Actually just not too long ago Mr. Stubley acquired Mr. Strathdee's 106 shares at something like $37 a share.

MR. ORMSTEN: Was that prior to the time --

MR. HARRIS: No, just fairly recently. The reason -- well, I don't want to clutter up the record with the reasoning and so on.

MR. ORMSTEN: I simply wanted to get a general picture of whether there had been other sales. I think one criteria for determing price would be what stock brought on other occasions.

MR. HARRIS: The situation as it developed,

as Mr. Hogan puts it, as nicely as he has put it, and that is he understood and it is his recollection, it is more than that. We were delighted that we were finally getting someone to talk along the lines of $47 or $50 a share at that time, and Mr. Tilney did not raise any objection whatsoever to the 47, and of course he was delighted at the $50, and Mrs. Tilney added her stock to the package. The other comments, I reserve my right to go into book value and condition of the bank.

MR. ORMSTEN: May I ask a clarifying question? Did Mrs. Tilney also sell her shares?

MR. HARRIS: Yes.

MR. ORMSTEN: At 50?

MR. HARRIS: Yes.

MR. ORMSTEN: No shares owned independently, individually?

MRS. TILNEY: Yes, as an individual.

MR. ORMSTEN: As an individual.

MR. HARRIS: 96 shares.

THE COURT: That was a voluntary act of yours, was it not, Mrs. Tilney?

MRS. TILNEY: Well, if my husband had kept the controlling stock I couldn't have sold my 96 shares,

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United States District Court

with three children it is very little value, $23.

THE COURT: But apart from your reason, that was a voluntary act of yours?

MRS. TILNEY: I made the decision myself, yes, sir.

MR. HARRIS: Your Honor, the word "controlling" is not necessarily agreed to here. Control short of 51 percent is one of those things that sometimes exists and sometimes doesn't exist. It turned out subsequently that an equal number or perhaps more than Mr. Stubley bought in July, 1968, was in the hands of the five members of the board themselves, plus two outside women who were, I believe, clients or acquaintances of the Howards up there. So that you had a situation where the local community could very well have not turned over control, if Mrs. Tilney thinks that control is of any real value in the institution.

THE COURT: Did you want to be heard, Mr. Tilney?

MR. TILNEY: Just to recite briefly the memorandum I handed the receivers on May 29, 1968, in which I told them the status of our holdings away from the part they knew they had themselves. I made the observation that the book value, including the reserves,

2 was $51.50 a share. That was December 31, 1967, and
3 with reserves about 57. I indicated what the loan
4 situation was and also pointed out the building and
5 equipment of the bank was carried at $5700 on its books
6 in arriving at book value. The original building had
7 a cost on the books of $60,000. I indicated that I
8 felt that the stock, the realistic price for the stock,
9 would appear to be somewhere in a range of $70 to $80
10 a share if control was involved, since the holdings
11 in question, almost 900 shares, represented a substan-
12 tial portion of the banks capital of 2500. That is
13 my statement.
14 THE COURT: Did you ever call that statement
15 to this Court's attention?
16 MR. TILNEY: No, sir.
17 THE COURT: On the record?
18 MR. TILNEY: No, sir.
19 THE COURT: Did you ever indicate any dis-
20 approval of the $50 price for this stock?
21 MR. TILNEY: I did not, sir.
22 THE COURT: What position would you suggest
23 that this Court take at this time?
24 MR. TILNEY: I have been informed by counsel
25 for the receivers that the receivers have the authority

think the first thing that you, Mr. Harris, ought to do is to resign from this board, and I think in confunction, of course, with the resignation from the board that it would go without saying that the qualifying shares would be returned.

MR. HARRIS: Of course.

THE COURT: Because, as I understand your recitation, the shares were given to you purely for the purpose of qualifying.

MR. HARRIS: They are not given, your Honor; they are merely recorded purely for the purpose of qualifying under the State Banking Law.

THE COURT: Now I would ask you these questions concerning the shares, 100 in number: Do you have any domination or control over them for the purpose of transfer or sale?

MR. HARRIS: No.

THE COURT: Now, are these shares endorsed in any way? Do they bear an endorsement restricting them?

MR. HARRIS: No.

THE COURT: Are these shares in your possession

MR. HARRIS: No.

THE COURT: In whose possession are they?

MR. HARRIS: Mr. Stubley.

THE COURT: Then am I to understand that the meaning of this is that you are the nominal holder and that they are the beneficial holder?

MR. HARRIS: That is correct.

THE COURT: Then we understand that the first step that you are going to take immediately is to resign from this board?

MR. HARRIS: Yes.

THE COURT: And the second step is that you will, of course, relinquish these shares. That will be the first step that I hope you will effect at the earliest possible time.

Now, how soon do you think the valuation is possible?

MR. ORMSTEN: Your Honor, may I be heard? Your Honor, the function of the Securities & Exchange Commission, as the Court knows generally, is in respect of disclosure. It is not the Securities & Exchange Commission's function to value shares, but to bring under the '33, '34 Investment Company Act optimum facts so that an informed investing public can make decisions. Cognizant and respect for the Court's request, I in my personal capacity in reporting back

sometims to reject the only bid in the market. We felt we were authorized to do so. In this case, Mr. Hogan, Blythe & Company, DuPont & Company, all of Wall Street, Tilney & Company, Tilney, were agreeable to the $47 price. I was negotiating at the time for 50. I felt I could get it. I felt that Mr. Hogan misunderstood and didn't have my authority to sell at 47 to Blythe & Company and it went to $50 a share.

What is it you wish us to do at this moment, your Honor? I have developed information concerning this bank now which reveals that the bank isn't worth $50 a share, but this is information which was revealed subsequently as a result of my status as a director and having read the Banking Department reports concerning this institution. I don't understand the contest we are developing now. I think Mr. Ormsten in a sense was correct that for the SEC to sit down independently and come up with an independent appraisal of the value is very awkward and probably would be rejected by the agency as something that could't be done. Are the appraising it for what purpose as against another purpose and how much information shall be given to them?

THE COURT: Well, I don't think that you have to focus your attention upon the problems of the SEC.

my approach concerning expenses, and I don't expect to change my conservative position at this time nor do I expect to be triggered into overreaction because I don't think that is prudent or wise. Certainly if these problems hadn't arisen there wouldn't be any problem concerning the transaction of the stock. It is only because of these things that have occurred that there seems to be some lurking doubt that perhaps the stock sold for less than could have been realized in the market by auction or otherwise. I am not sure of that. I don't know. And so I am completely agnostic at this time; I don't know. But I expect to familiarize myself to the best of my ability at the earliest possible time. I am sorry it happened. I am sorry that I wasn't made aware that these shares were being negotiated with a friend of yours. I am sorry that I didn't know that you had finally taken a position on the board. I regret that it happened. I would have been happier had it not happened, but I can't look back over my shoulder at the moment. It has happened. And now I want to develop all the facts concerning the shares so that all of us, including the SEC, will have no qualms or have any sense of doubt about them and that is what I propose to do.

I want a full and complete and adequate report concerning the appraised value of this property. I have not yet received this report. I hope you will indicate to the appraiser that some urgency is indicated, and I would like to wind up the estate at the earliest possible time, and I would certainly like his report no later than the end of next week.

MR. BENISCH: Your Honor, I spoke with the appraiser the very day that you and I discussed this matter and expressed to him the fact that there was urgency to get this more elaborate appraisal in my hands, and I have attempted on two occasions since then to get in touch with him, without success. I believe Mr. Hogan has also gotten in touch with him. This is a matter of just moving the appraiser along.

THE COURT: Now, if you can't move the appraiser along pursuant to my order, I suggest that you dismiss him and get another one.

MR. BENISCH: Your Honor, I think we will be able to move him along.

THE COURT: We have another four weeks now which is necessitated by the discussion this morning, but at the end of that four weeks I would like to be in a position to give very serious consideration to

of fact I think most lawyers do, and I don't think it is becoming for Mr. Tilney to indicate to an appraiser how he should proceed to perform his duty.

Now, if Mr. Tilney wishes at his own expense to hire an appraiser to establish the valuation of the property, I would be more than happy to consider that, and I would like to state perhaps again with some redundancy that I am not sure that I will give approval to the $35,000 price. I may invite the officers of the Tinker National Bank here, and I use the word invitation very subtly because an invitation can immediately become an order. I may wish to have some discussion about their entire loan transactions with the Tilneys as well as this property. This is just something else that is in the back of my mind that I haven't come to grips with because I think it is premature at the moment, but for now I am not acting on this $35,000 offer. I want to see Mr. Brady's report, and I would hope, certainly, Mr. Tilney, that you, if you think that the $35,000 is not a fair price, whereas you thought that the $25,000 was more than a fair price, that you go out and retain your own appraiser. I would be very happy to hear from him very happy to have his report.

Now, you gave me an illustration of some of the interference that you suggest Mr. Tilney has been engaged in. If you wish, you can give me a bill of specifications indicating the instances in which Mr. Tilney has harassed or frustrated the liquidation of this estate. I would also like to have some indication at that time from the SEC whether there is anything in the specification upon which Mr. Tilney will be heard at the appropriate time, whether there was any violation of this consent decree and whether there is any reason to proceed with contempt. If that is necessary I will hold a hearing and take the appropriate steps suggested by the record.

MR. TILNEY: Your Honor, might I add a comment on this matter of Mr. Brady? Mr. Brady appraised not only property belonging to Mrs. Tilney and myself, but he appraised all the real property we have, which is of considerable value. Mr. Brady indicated to me that he would be glad to work with me on reviewing the property in the most advantageous means of sale. It was in that guise that I called him and we were talking about entirely different pieces of property, and I mentioned the fact that the appraisal was desired because the bank wished

to get the matter settled. I was perfectly agreeable to the $25,000. I reviewed with him the possibility of rezoning, having talked to the ex-village counsel of the village and having been informed by her that she saw no problem at all in obtaining a variance, and he then said he would give that consideration in his appraisal.

THE COURT: Have you retained Mr. Brady for your own purposes?

MR. TILNEY: No. I have seen him as a consultant. He was interested in helping us. Being in the real estate business, he could probably make himself a few dollars on working some of the properties off.

THE COURT: You mean for you?

MR. TILNEY: Yes, for me.

THE COURT: On a commission?

MR. TILNEY: On a commission, I mean after this thing is over.

THE COURT: In other words. a relationship between you and Mr. Brady?

MR. TILNEY: Strictly between a real estate man and a prospective client.

THE COURT: Well, I certainly don't think

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you should have talked to him. If you chose to hire Mr. Brady after this estate is liquidated, that is a matter entirely within your discretion. Mr. Brady isn't working for you. You are not paying Mr. Brady. Mr. Brady has been retained as an expert to assist the receivers and counsel and the Court.

MR. HARRIS: Your Honor, could we leave the matter of the substance of the appraisal? I think Mr. Benisch was seeking to get clear on the record here as to, number one, what would be Mr. Tilney's attitude toward the two current appointed receivers, and, number two, this matter of his interference, we felt, without the need for specification, we listened to a lot of things from Mr. Tilney and Mrs. Tilney here, and they go on the record, and we all abide by the suggestions of the Court and what is deemed reasonable, and perhaps without the need for formal specifications and threats of contempt, it might be made clear to Mr. Tilney in what respect we feel he has interfered, and you might take a few more minutes of your time, your Honor. I have a few more examples of that that are much more concrete rather than him merely talking to Mr. Brady.

THE COURT: I would appreciate it if you

would desist from any conversations.

MR. HARRIS: I mean to characterize it, it is my characterization that Mr. Tilney for quite some time has been feeling his oats in this situation. He has a habit of writing these tremendously elaborate reports which you don't get until the very last moment, which you can't read, but he now has a record that somewhere he said the potential value was $9 million or something. We discussed this once before, but I want to point out to you that the receivership is in possession of $55,000 worth of debentures issued by a corporation in Alaska, Anchorage, Alaska, the City Commerce Corporation, and the interest is payable on January 1 and July 1, and on January 1, 1968, after these receivers were in office, a check was received for the full six months interest, and on July 1, 1968, a check for the full six months interest was received from City Commerce Corporation, the obligor on these debentures, but on January 1, 1969, suddenly no interest check is received.

Now, City Commerce Corporation, the obligor on these debentures, is also the landlord of a building in Alaska and is also the bank holding

company which holds the controlling stock of the Alaska State Bank, and in this office building there was an office maintained by Tilney & Company and Governmental Statistical Corporation, the affiliated corporation of Mr. Tilney, and, of course, they fell behind in their rent before the receivers took office, so that at the time that we were in there there was rent accrued to City Commerce Corporation, but despite the rental accrual there was no attempt to offset the accrued rent against the interest due on the debentures.

And many discussions were had with Mrs. Crawford, the controlling interest of City Commerce Corporation, as to who was going to pay the rent on this office during the course of the receivership, and so forth. Ultimately a deal was made with Mrs. Crawford, and we gave City Commerce Corporation some four or five hundred dollars as an administration expense and we received a release from City Commerce Corporation releasing the receivers and the receivership estate from any claims from the date of the commencement of the receivership to the date of the release, reserving unto City Commerce Corporation its right to file a claim for accrued rent prior to the date of the receivership and to share with other creditors. We

paid and we got this release, and everything is fine until Mr. Tilney goes up to Alaska last Wednesday, and among other people that he spoke to, he speaks to his friends Greidinger and Crawford, and he doesn't tell us anything about what is going on, but in the spring we haven't gotten our check for the interest yet, and I write a letter to Mrs. Crawford, and it just so happens that at the time I wrote the letter as to where is the interest or the rent, or do I have to in my opinion -- I think an order to show cause, you know, bring her in here as to why she hasn't paid the rent, unless she is in default with all creditors, she calls me on the phone and she asks me, are we still interested in selling the stock of City Commerce, the debentures of City Commerce, and in that conversation she starts out, she says, "Mr. Tilney was up here in the winter," which we knew, "and he said he is soon going to be back in full control of City Commerce's stock and the City Commerce debentures and should she talk to me."

I said, "Yes, we still have it; it is still up for sale," and so forth, and I wrote her a letter saying I would be glad to entertain any bid for the stock.

In reply to my letter as to why the interest hadn't been paid, I get a reply from her attorney in which he encloses a copy of a letter sent to Mrs. Crawford in the winter of 1969 from the law firm, Delaney, Wild, Moore & Hayes, Anchorage, Alaska:

"Your letter of April 2, 1969, acknowledged. Enclosed a copy of a letter dated January 22, 1969, from Mr. Tilney and a copy of our statement dated January 28 which was forwarded to him. In addition to the rent due and owing to City Commerce Corporation," and so forth and so on.

The letter Mr. Tilney wrote to Mrs. Milner, chairman of the board of Alaska State Bank, on January 2, 1969, said:

"Would you be kind enough to have your secretary send us a formal statement of the amount due Tilney & Company on rent to City Commerce Corporation? The interest payment on the debentures will, I believe, cover most of this amount. Please have the answer addressed to me at the above address. Sincerely, Frederick Tilney."

So as a result of this letter they set off the accrued rent against the interest, and he sent me a check for $100, which I rejected, and in other

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correspondence I indicated she had no right to rely upon Mr. Tilney. I mean she knows all about the receivership. Mr. Benisch and I were with Mrs. Crawford six months before that up in Alaska when we were selling the Alaska State Bank. This is an example. We are now in a bind. We have Anchorage, Alaska. The question we have been debating as to whether an order to show cause down here will be at least effective enough to get them to appear even if only specially for the purpose of contesting jurisdiction, and why we shouldn't get the interest on these debentures the sum of $1900. That is one example.

Number two, I understand that when a broker came around to Sundown, the broker who was instrumental in getting a bid which we felt was sufficient to at least call on a hearing, when he went back to Sundown, he was chased off the property and he was told -- this is hearsay to me; I will defer to Mr. Hogan, who heard it from the broker himself. National Bank of Alaska: you recall I related to a hearing here that we had 6500 shares of Little Sewer and/or Water Utility in Anchorage, Alaska, 6500 shares held by National Bank of Alaska against a loan of $1,000, and at that time the bank felt -- they finally produced

someone who would bid one dollar a share for the 6500 shares. Now, that bid has been withdrawn because it was not accepted in time, and I find out that Mr. Tilney visited National Bank of Alaska when he was in Alaska, and I have -- I don't have it with me here, I have the most amazing correspondence from the National Bank of Alaska quoting an agreement he made with the National Bank of Alaska when he was there, and I have to now dissuade them by saying, "I don't know what agreements your institution is making with him, but you know that we are receivers, you have been served with a certified copy of the order, he has no authority; if you want to lend him money or not lend him money, it is up to you; it has nothing to do with the receivership estate."

This is the sort of thing that we are realizing is occurring. He discusses without exception every single issue in which we may have an asset or a piece of real estate; he is going around telling them things which are at variance and which must hinder the ability of the receivers to get the best price and to deal efficiently with this estate. We would like to wind this up quickly, as Mrs. Tilney would like to wind it up. We have heard him tell us that

we were in condition to liquidate months ago, years ago. We are still waiting for that guardian to be appointed, as your Honor will recall. It is now June. The fact is that more and more administrative work is being compelled and no one is interested in it; not at all. I would be delighted to resign this situation. The administrative end becomes just too difficult to do. That is the interference, the type of interference I am referring to.

MR. TILNEY: Might I say something, your Honor? When I was in Alaska -- I will take that up first -- I was there with your approval to negotiate or attempt to negotiate the final settlement with the City of Nome, which had come in, as your Honor said at the last hearing, out of the blue. A $4 million suit was instituted against Tilney & Company, the receivers, myself, Governmental Statistical Corporation and Mrs. Tilney. The matter was settled while I was there. I felt satisfied that it was. And matters have approached a point where your Honor will be receiving the release from the City of Nome. They have already gone through the court proceedings, and the court has ruled that the matter is closed, with the arrangements that your Honor had approved.

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At that time with the nOme matter out of the way, it was apparent to me that my estate would liquidate at one hundred cents on the dollar without any question. And at that time I indicated to the National Bank of Alaska that I felt that the stock of the company in question was worth substantially more and I felt that it would be a security that my children could easily take over at advantage to themselves in the future. This is a matter of record with the chairman of the board of National Bank of Alaska.

Money due them by the estate of Tilney & Company and the estate of Frederick Tilney.

In the matter of Mrs. Crawford and the holding up of the check, Mrs. Crawford announced to me that she was doing it herself. That was the first inkling I had of it. I later reflected it to the receivers. When the check had not been received I knew why it had not.

In the meantime, I did write the letter, which was perfectly proper on my part, to determine the amount of liability and where the liability fell so I could complete my income tax returns properly and appropriately. I don't think I was in any way out of order.

MR. PENISCH: Your Honor, may I call something to your attention to set the record straight here?

Mr. Tilney has indicated in substance that he went up at your Honor's direction and succeeded in settling a matter with the City of Nome. I would just like to have the record indicate that at the time Mr. Harris and I were in Alaska last August of 1968, we could have settled the matter on the same basis that Mr. Tilney settled the matter on in December or January, whenever he went up. At the time that we recommended such a settlement, Mr. Tilney would have no part of it.

Subsequently he goes up and makes the same deal and comes back and now is indicating that he effected the settlement. I would just like the record to indicate this.

Secondly, your Honor, Mr. Talley's letter which you have read into the record. I had occasion to speak with Mr. Talley personally about two months ago when he was in New York. He came to my office and we chatted for about an hour. He gave me information as to the nature and the status of this receivership estate which was utterly amazing to me,

that we were in a position to pay off, and everything was rosy, and so on. I asked him, "Where did you get this information?"

His response was, "From Mr. Tilney."

I submit that the rumors that go out of somewhere, that the customers then get ahold of and that Mr. Frankel, the U. S. Attorney in Anchorage gets ahold of, are not doing this receivership estate and the administration thereof any good.

THE COURT: The first thing I would suggest to you, Mr. Tilney, is that you cease and desist from any activities in connection with this estate without the further permission of this Court.

If you feel that some step should be undertaken by you which can be helpful to this estate, I would suggest that you petition this Court, and the Court will give it ample consideration.

Now this brings me to the sale of Sundown. We have had discussions about it, and I think we ought to come to a conclusion. We have discussed an auction, the sale of Sundown, and I think that perhaps is indicated. And I think further that that may very well be a method to pursue concerning the marshland. We will circularize it and publicize it and

hold the auction right here in the courtroom.

MR. TILNEY: Your Honor, might I make a suggestion?

THE COURT: Surely.

MR. TILNEY: It may come in the form of a petition. I would suggest in view of Mrs. Tilney's statement that you hold that until the National Bank and Mrs. Tilney have presented a petition to the Court.

THE COURT: All right.

MR. HARRIS: Provided there is a time limit on that presentation.

MR. BENISCH: Well, Mrs. Tilney indicated two weeks.

THE COURT: I didn't put any time limit on it because I thought and understood that Mrs. Tilney was talking about a petition made with reference to her statement that she wanted to proceed at the earliest possible time.

MRS. TILNEY: I said two weeks.

MR. HARRIS: Before we get into the date, your Honor, there are a multitude of things which actually were on the record at the last meeting here in April, which is two full months back from here. We have a very substantial holding, stock

in another bank, where there is no over-the-counter market for it, and Mr. Tilney has indicated to this Court and indicated as late as last week to the receivers: He puts an item on the agenda, discussion re conversion of this bank stock into some other stock which might be more marketable, and then he says to the Court and says to the receivers, "Well, I am not yet ready to discuss it; I am discussing it with people out west or in New York"--

THE COURT: Well, I am ready to discuss all these matters right now, very quickly, and I think we can resolve the problem. Any of the remaining assets involved, which I trust you will schedulize for me at the earliest possible time, will be properly publicized, whether they are securities, real estate or personal property, and I will put them up for auction right here in this courthouse in an appropriate courtroom. It will be publicized, circularized to the highest bidder pursuant to the rules of auction. Then there won't be any discuss of valuation or anything else. A straight auction.

MR. TILNEY: Your Honor, I would recommend again that before this step is taken that the petition of Mrs. Tilney and the National Bank be given considera-

tion.

THE COURT: I will certainly withhold any final resolution about any of these problems until I see Mrs. Tilney's petition.

MR. BENISCH: Excuse me, your Honor, with respect to this petition, the subject matter of this petition is going to affect the children of Mrs. Tilney here, and I suggest that if there is going to be an expeditious determination of this Tinker or whatever it might be that someone who may speak for the children be appointed so that we will have a representative of the children. Because if this petition comes in and it involves the children, as it will, there is going to be no one to speak on behalf of the children who are alleged creditors of this estate.

THE COURT: You anticipated me. I was going to pose a problem somewhat differently. If this petition is fatal in any respect all, obviously I will reject it because there will be no basis for my consideration. Therefore I would suggest to you, Mrs. Tilney, that you have counsel help you prepare this petition because I assume that you are urging this Court to give it serious consideration and

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK [1]

SECURITIES & EXCHANGE COMMISSION,

Plaintiff,

vs

TILNEY & COMPANY and FREDERICK TILNEY,

Defendants.

67 Civ. 4676

New York, New York
June 26, 1969
11:00 A. M.

Before:

HON. DAVID N. EDELSTEIN,

District Judge.

APPEARANCES

FRANKLIN, ORMSTEN, ESQ.,
Attorney, Securities & Exchange Commission.

TERENCE F. GILHEANY, ESQ.,
Attorney for defendants.

WAGNER, QUILLINAN & TENNANT, ESQS.,
Attorneys for receivers,
ROBERT G. BENISCH, ESQ., of Counsel.

JOSEPH C. HOGAN, ESQ.
I. ALAN HARRIS, ESQ.,
Receivers.

Also present:

MR. FREDERICK TILNEY.

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THE COURT: I will give you one week's delay. We will receive this letter of submission.

MR. TILNEY: This is directed to the SEC at your direction. As I understood, Mr. Harris was to submit an appraisal as well.

THE COURT: I am afraid that your understanding is not quite in keeping with the record. However, I am not going to labor that point at all. The record speaks for itself and there is no need for me to retrace the conversation that occurred a few weeks ago.

The Court grants you one week's extension to get an independent appraisal by a qualified appraiser.

MR. TILNEY: This will cost me $1,000. We don't have any funds. Our funds are all entailed in the receivership. I have a firm that will do it, prepared to.

THE COURT: Whether you submit an appraisal or not is a matter at this moment within your own discretion.

How far have you proceeded, Mr. Ormsten?

MR. ORMSTEN: As I informed the Court at the last conference, the matter which had been discussed or the primary matter which had been discussed at the

conference, that is, the sale of the Waddington stock, came as somewhat of a surprise since we had only been notified the afternoon before. Since that time I have consulted with my superiors at the New York Regional Office of the Securities & Exchange Commission, and I have been instructed respectfully to convey to the Court the view of the New York Regional Office, which is that the transaction is regarded by our office as tainted and we would respectfully request that it be rescinded and that the question of value is not relevant on the issue of taint, the transaction having been tainted, and I have been so instructed to respectfully state that to the Court.

THE COURT: Does anybody want to respond?

MR. HARRIS: I am curious as to the grounds of the taint. Would the Commission present this in the form of an exposition of several sentences to understand the alleged taint?

The facts as noted on the record are that several months -- many months after the transaction, which was open and with the consent of Mr. Tilney, with the consent of Mrs. Tilney and was at a price better than a price obtained by a New York member firm, where the stock had been placed with said member firm and

another member firm to obtain bids, in any event, several months, many months later, at the request of the purchaser, I became a director of the bank in January, 1969.

The reasons for it can be developed. The condition of the bank was such, completely at variance with what was believed to be the condition of the bank eight or nine months before when the negotiations took place. The sale of the stock to Mr. Stubley was premised upon statements made by Mr. Tilney as to the condition of the bank, relying upon Mr. Tilney's alleged experience with banking, investment banking or commercial banking, and Mr. Tilney addressed a letter to the receivers stating the bank had a certain book value and there were only two-week loans and so forth and so on.

This is a matter of record as to the condition of the bank and the week loans or doubtful loans on its books and charge-offs, etc. The facts were completely at variance, and after the stock had been acquired by Mr. Stubley and after we discovered the situation and after he had that position where the Banking Department was willing to show their reports on the bank, it was realized that the bank was in very

bad condition, that the doubtful, substandard and special mentioned loans exceeded the capital of the bank.

At that time actually I felt a certain responsibility. I admit that it was an error, and sought to assist them by becoming a director of the bank in January of 1969.

Now, Mr. Ormsten states that he has spoken with his superiors at the Commission and they feel that the transaction was tainted back in June and July of 1968, and I am wondering, looking down the road, upon what they base this comment.

THE COURT: I think I would like to make my own position clear on the record.

Had I been aware of any affinity or relationship or contact or even friendship, close or otherwise, at the point when this transaction was being negotiated and subsequently effected, I certainly would have been very much opposed to dealings under those circumstances because as a matter of reality sometimes the name is just as glaring as the game.

I certainly feel that I would have been most reluctant to have given my approval to any such transaction unless every possible condition and circumstance

at that time placed upon the table in conference would have revealed indubitably, with the SEC being in accord, that this transaction was in the best interests of the public, and this is our prime concern. I have no concern with any individual here except insofar as they can assist us in liquidating this estate equitably and soundly and wisely and prudently for the benefit of the public and the creditors. But this transaction was never disclosed and none of us really had an opportunity to appraise it.

Perhaps the SEC uses the word "taint" without possible odious implications but rather to the extent that a transaction was effected in the circumstances here certainly some cloud, as least on the record, would appear to surround this transaction, and it was with that in mind that I suggested independent appraisals, because had the appraisals honestly and expertly indicated that the price of this stock from the standpoint of market valuation appraisal and what can actually be obtained for it would have indicated that it was fair and it was the best price, then, of course, to some extent the cloud might have been dissipated, but I think perhaps I understand the SEC's position when their superiors state that as far as the public is

concerned, in view of the circumstances of the transaction, that perhaps the only way to rescue this situation is to rescind the sale and start all over again de novo.

Of course, if you recall, I think I made some reference to it, rescission was one of the things that I was considering at the very first meeting we had when this transaction was brought to our attention.

Isn't that correct?

MR. ORMSTEN: That is my remembrance, your Honor.

THE COURT: I am perfectly prepared to accept the suggestion of the SEC, because it pretty much is in accord with my own thinking. I know that I think I would be freer in mind if we rescind this sale.

MR. BENISCH: Your Honor, may I call the Court's attention to a statement in Mr. Tilney's letter of June 24 suggesting the possibility of Mrs. Tilney purchasing the stock on any rescission?

THE COURT: All right. I didn't mean to cut you off, Mr. Benisch.

Yes, I am fully aware of the statement by Mr. Tilney, and, of course, I don't think much need be said about that because I think that what I will urge after

this sale is rescinded and the stock is available and, of course, at the moment the stock is not available, is to put it on the auction block after complete and very pervasive circulation to the best of our ability by all the means of reasonable communication that we have with all the Wall Street people and put it on the block.

MR. TILNEY: Might I suggest something, your Honor?

THE COURT: Sure.

MR. TILNEY: I would like to have an appraisal made of the stock to be part of the proceedings of the sale. Such an appraisal for the Court's guidance and the buyer's guidance will cost $1,000. Keefe, Bruvette & Woods, One Chase Manhattan Plaza, are prepared to make this appraisal for me and also for the receivers. I think it would be worth $1,000 in the public interest to obtain the highest possible price.

THE COURT: I am not sure that that is going to be of any aid and assistance. Let's assume that appraisal comes forward and it is a very reliable and very persuasive one and places a value on a stock and at the auction prices are considerably lower. What would that mean? I am not going to keep this estate going in perpetuity. I am not going to keep it in

that as a result of the Waddington stock transaction, which I emphasize has distressed me no end, caused me some sleepless moments, because I have been very unhappy about it, and I don't think I have overreacted, I have just been unhappy, I thought perhaps the way to proceed hereafter with all the assets is by putting it on the auction block.

MR. HOGAN: Your Honor, we have an appraisal on this property of $125,000.

THE COURT: I have yet to see the basis of that appraisal. I have urged and asked and requested that it be forwarded to me at the earliest possible time and, as a matter of fact, at the last session I indicated to Mr. Benisch to get on with it and if we don't get the kind of appraisal which I suggested should be forthcoming, that I think it's time for Mr. Brady to allow himself to be substituted. I haven't forgotten that request and I want it.

MR. HARRIS: We haven't forgotten, your Honor.

MR. HOGAN: We have been after him. It is just one of those things. I will call him again today.

THE COURT: I think you are running out of

the control of the bank.

THE COURT: I don't know anything about that. I am only concerned with the sale of shares from the estate, that's all.

Anything further?

(No response.)

THE COURT: Adjourned. Two weeks, is that it?

MR. HOGAN: Thank you, Judge. Two weeks.

MR. TILNEY: I would like to add at this time on the record, in view of the comments of the representative of the SEC regarding the Waddington matter, that Mr. Harris resign from his position as receiver. I would like that to go on the record.

THE COURT: Would you like to comment about that, Mr. Harris?

MR. HARRIS: I am prepared to do anything that will assist in the speedy conclusion of this estate, out of deference to the Court, and I have no independent interest in continuing. As a matter of professional activity in my office now for many months, I have been, to myself, saying this is getting to be a headache. The only thing is, needless to say, I will not resign under a cloud. I am prepared to

resign if it would help the estate.

We have heard Mr. Tilney on many occasions say that this matter is close to fruition, and now we also have Mrs. Tilney saying that it's due to my efforts that this estate has been dragging for an additional year. She is in the habit of writing letters, including a copy to Mr. Cunnigle of Tinker National, saying that programs laid out almost a year ago were unnecessarily sidetracked due to my efforts as a co-receiver.

THE COURT: I think I would like to put this entire matter in focus.

I don't think Mr. Tilney's application is relevant and I don't think it's appropriate. I don't think there has been anything stated on this record which would lay the foundation for a finding there has been any impropriety. I think what has occurred is unpleasant. I am sorry it happened. I think it has clouded the situation. It should not have occurred, and a little thought on your part I think would have prevented any such steps.

In any event, if there had been any desire for such a thing, it should have been presented to the Court and all the parties concerned and approval sought.

However, in view of your statement you are prepared to do anything that would assist the liquidation of the state, I think you yourself might feel better, since you and Mr. Tilney aren't communicating and there seems to be this air that is just a little smoggy, that perhaps you would like to withdraw, with the clear understanding that you are not being asked to resign, you are not being forced to resign, you are not being ordered to resign. But I do think, in view of your own statement that anything that would aid the estate is something you would want to do, perhaps under all the circumstances here it would be best.

MR. HARRIS: I have suggested to my co-receiver and counsel several weeks ago and they said under no circumstances -- they are not bound by it but they said, "Under no circumstances. You have been, carrying the laboring oar and we recognize what has been going on, and absolutely not."

The fact of the matter is, the background here is, that I have been carrying the laboring oar and when many suggestions were made it was, whether Mr. Gunnigle believes it or not, my interpretation of what was proper and right which prevented certain very

suggestions from being followed through. I am constantly seeking to liquidate assets, and we have been not liquidating them because Mr. Tilney keeps telling us and persuading my co-receiver to go along and give him more time to work out some overall plan in one fell swoop to close out this estate, and I tell you that, from experience, it is not going to happen, and here it is a year and a half.

THE COURT: Let me make one further statement. I see nothing on the record or the work which has been done here which would in any way indicate that you have not done a competent job. I think your statement, however, is prudent at the moment, and I deem that to be an offer of resignation, not under pressure and not by virtue of any order of this Court, and so I will deem that a resignation.

I would also like to add at this point there will be all haste and dispatch. No further communication about whether liquidation should proceed. Quickly and efficiently. That's that.

MR. HARRIS: I will prepare a report and application, your Honor, a report turning over the books and records which are in my possession.

THE COURT: And I will say one other thing.

B. BERNARD GREIDINGER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

1441 BROADWAY, NEW YORK
PENNSYLVANIA 6-7267

July 14, 1969

I. Alan Harris and Joseph C. Hogan, Receivers For
Tilney & Company and Frederick Tilney
New York, N. Y.

Gentlemen:

In accordance with your request, we have prepared the attached financial report of Tilney & Company (a partnership) and Frederick Tilney (an individual) in receivership by order of the United States District Court, Southern District of New York, dated December 18, 1967, as of June 30, 1969, which consists of the following:

Exhibit A - Statement of Assets and Liabilities Subject to Realization and Liquidation at June 30, 1969

B - Summary of Cash Receipts and Disbursements - December 18, 1967 to June 30, 1969

Schedule 1 - Cash - June 30, 1969

2 - Securities - June 30, 1969

3 - Transfers and Advances Between Tilney & Company and Frederick Tilney - December 31, 1967 to June 30, 1969.

Notes to Financial Report

Our examination included a review of the Receiver's books and records as well as a physical examination of securities on hand in the possession of the Receivers. Information and valuations contained in the financial statements were furnished by the Receivers and their counsel without independent verification, as a basis for determining the fair and realizable amounts which might result from the ultimate sale and liquidation of the underlying assets. In the circumstances, we are precluded from expressing an opinion on the financial statements as a whole.

This special purpose report is intended for use solely by the Receivers and other interested parties to the proceedings in formulating appropriate guidelines for the ultimate realization and liquidation of the receivership.

Very truly yours,

B. Bernard Greidinger Company

EXHIBIT A
Part I

Statement of Assets and Liabilities Subject To Realization and Liquidation (Note 1)
June 30, 1969

Assets	Total	Tilney & Company	Frederick Tilney
CURRENT ASSETS:			
Cash in checking accounts (Schedule 1)	$ 23,348	$ 20,653	$ 2,695
Cash - time deposit (Schedule 1).	180,000	180,000	--
Securities (valued by Receivers at conservative liquidating values (Schedule 2)	99,560	84,765	14,795
Interest receivable (maturing July 1969)	7,535	7,535	--
	310,443	292,953	17,490
Transfers And Advances During Receivership (Schedule 3)	-	(15,678)	15,678
	310,443	277,275	33,168
ASSETS SUBJECT TO CLAIMS, LIENS AND OFFSETS:			
Collateral held by Long Island National Bank under collateral loan agreement to loan of Governmental Statistical Corporation (see contra contingent liabilities)			
Cash in escrow account	33,539	33,539	--
Securities (valued by Receivers at conservative liquidating values (Schedule 2)	11,340	11,340	--
Securities held by National Bank of Alaska (tentatively valued by Receivers at amount of debt to which pledged) (Schedule 2) + contra	1,100	--	1,100
Interest receivable on debentures of City Commerce Corporation held by that company as offset..	1,950	1,950	--
	47,929	46,829	1,100
REAL ESTATE (VALUED CONSERVATIVELY BY RECEIVERS):			
Residential property and certain adjacent lots - Centre Island, N.Y.	152,000	--	152,000
Vacant land - Anchorage, Alaska (Note 9)	15,000	15,000	--
	167,000	15,000	152,000

EXHIBIT A
Part I
(Continued)

Assets		Total	Tilney & Company	Frederick Tilney
ASSETS NOT PRESENTLY VALUED:				
Investments in and receivables from affiliates (Note 2) -				
	Book Value			
Governmental Statistical Corporation.....	$674,907	-	-	-
Tilney & Company, Inc.	47,217	-	-	-
Tilney Construction Corporation.....	59,128	-	-	-
Dorothy Tilney - amount undetermined.....	-	-	-	-
Office machinery and equipment, less depreciation.....	1,217	-	-	-
Cash value of life insurance, less loan principal and interest.....	3,500	-	-	-
Due from customers on security transactions	3,830	-	-	-
	789,799	-	-	-
Total Assets		525,372	339,104	186,268
Tentative (Deficiency) or Excess Before Administration Fees and Expenses and Contingent Liabilities.....		(48,529)	41,956	(90,485)
TOTAL ASSETS AND TENTATIVE DEFICIENCY.....		$573,901	$297,148	$276,753

See Notes to Financial Report and accompanying letter of transmittal.

EXHIBIT A
Part II

Statement of Assets and Liabilities Subject To Realization and Liquidation
June 30, 1969

Liabilities	Proofs of Claim Filed	Total	Tilney & Company	Frederick Tilney
PREFERRED CREDITORS:				
Administration fees and expenses - presently undetermined (Note 4).....	$ -	$ -	$ -	$ -
Payroll taxes.....	2,792	2,419	2,419	-
Federal income tax.....	287	287	-	287
Contingent liability for personal expenses incurred by Frederick Tilney during receivership without Receivers' consent.....	-	-	-	-
TOTAL PREFERRED CREDITORS	3,079	2,706	2,419	287
SECURED CREDITORS:				
Mortgage payable to Equitable Life Assurance Society of the U.S. on residential property-Centre Island, N. Y.	-	26,956	-	26,956
Note payable and accrued interest to National Bank of Alaska - contra	-	1,100	-	1,100
TOTAL SECURED CREDITORS..	-	28,056	-	28,056
UNSECURED CREDITORS				
Note payable to Franklin National Bank.....	-	3,150	3,150	-
Note payable to Tinker National Bank (excludes interest) (Note 6).....	98,000	98,000	-	98,000
Due to broker - Francis I. duPont & Company.....	-	3,105	3,105	-
Customers accounts (at book and/or market values at December 17, 1967(Note 3)	179,440	200,222	200,222	-
Customers - Tilney children accounts (at book and/or market values at December 17, 1967 (Note 3)....	-	27,832	27,832	-
Accounts payable-trade.....	57,896	57,945	57,945	-
Accounts payable - personal expenses.....	12,960	20,080	-	20,080

EXHIBIT A
Part II
(Continued)

Liabilities	Proofs of Claim Filed	Total	Tilney & Company	Frederick Tilney
UNSECURED CREDITORS (Con'td.):				
Notes payable to Tilney children, plus accrued interest to December 17, 1967 of $34,650 (Note 5).....	-	130,330	-	130,330
Advances by Dorothy Tilney (subject to possible offsets).....	-	2,040	2,040	-
Advances by Kathleen Tilney.....	-	435	435	-
Contingent Liabilities: For expenses incurred by Tilney & Company, Inc. and Governmental Statistical Corporation as successors to Tilney & Company...	3,414	-	-	-
For guarantee and collateral pledged under collateral loan agreement to loan principal of $62,000 plus accured interest of $1,796 (see contra collateral held by bank)(Note 7).....	-	-	-	-
Income taxes (Note 7)...	-	-	-	-
TOTAL UNSECURED CREDITORS	351,710	543,139	294,729	248,410
TOTAL LIABILITIES.....	$354,789	$573,901	$297,148	$276,753

See Notes to Financial Report and accompanying letter of transmittal.

EXHIBIT B

I. ALAN HARRIS AND JOSEPH C. HOGAN, RECEIVERS FOR
TILNEY & COMPANY (A PARTNERSHIP) AND
FREDERICK TILNEY (AN INDIVIDUAL)

Summary of Cash Receipts and Disbursements
For The Period December 18, 1967 To June 30, 1969

	Total	Tilney & Company	Frederick Tilney
CASH TAKEN OVER BY RECEIVERS - DECEMBER 18, 1967.....	$ 10,639	$ 10,639	$ -
CASH RECEIPTS -			
Proceeds realized on sale of securities.....	840,274	811,985(1)	28,289
Settlement of Judgment claim against D. Raymond Kenny & Company.....	85,000	85,000	-
Recovery of principal and interest on 7-1/2% sinking fund notes of Governmental Statistical Corporation....	41,756	41,756	-
Interest and dividends collected.....	23,288	23,148	140
Accumulated life insurance dividends.....	1,769	-	1,769
Interest on bank loan balances added to loan principal (interest charged included under disbursements).....	5,990	5,990	-
Other receipts.....	3,431	3,431	-
	1,001,508	971,310	30,198
	1,012,147	981,949	30,198
CASH DISBURSEMENTS -			
Payments applied to loan principal and interest and guaranteed loans from proceeds -			
Security sales.....	668,365	640,892	27,473
Security sales - cash held in escrow account.....	33,539	33,539	-
Redemption of Governmental Statistical Corporation 7-1/2% sinking fund debentures principal and interest.....	40,519	40,519	-
Receivership period expenses (real estate taxes, administration expenses, etc.).....	29,339	29,339(1)	-
Settlement of lawsuit - City of Nome, Alaska.....	20,000	20,000	-
Acquisition of vacant land in Anchorage, Alaska on purchase under foreclosure sale.....	14,020	14,020	-
Other disbursements.....	3,017	2,987	30
	808,799	781,296	27,503
CASH IN BANKS - JUNE 30, 1969.....	$ 203,348	$200,653(2)	$ 2,695

(1) See Schedule 3 relating to receipts and disbursements applicable to Frederick Tilney.
(2) Includes $180,000 in time deposit maturing July 14, 1969 - see Schedule 1.

See Notes to Financial Report and accompanying letter of transmittal.

I. ALAN HARRIS AND JOSEPH C. HOGAN, RECEIVERS FOR
TILNEY & COMPANY (A PARTNERSHIP) AND
FREDERICK TILNEY (AN INDIVIDUAL)

Schedule of Cash
June 30, 1969

	Total	Tilney & Company	Frederick Tilney
Regular Checking Accounts:			
Manufacturers Hanover Trust Company -			
Account #028-032-546.....	$ 1,000	$ 1,000	$ -
035-028-249.....	19,653	19,653	-
035-028-257.....	2,695	-	2,695
	23,348	20,653	2,695
Time Deposits - 6¼% due 7/14/69			
Manufacturers Hanover Trust Company.....	180,000	180,000	-
Total Cash In Banks.....	$203,348	$200,653	$ 2,695

Additional cash of $33,539 is held by Long Island National Bank under collateral loan agreement to loan of Governmental Statistical Corporation.

SCHEDULE 2

Schedule of Securities
June 30, 1969

Number of Shares or Face Value	Description	Tilney & Company	Frederick Tilney	Total Valuation (1)
SECURITIES ON HAND				
$ 47,197	City Commerce Corporation.....	$ 7,080	$ -	$ 7,080
55,844	City Commerce Corporation - 7% Debentures.....	40,000	-	40,000
100	Florida Capital Corporation...	800	-	800
25	Life Insurance Securities Corporation.....	-	-	-
220	Alaska State Bank.....	-	-	-
15	Alaska Airlines.....	150	-	150
262	Tinker National Bank.....	-	-	-
2,447.8	Matanuska Valley Bank.....	36,717	-	36,717
53	" " "	-	795	795
1	Pan American Airways.....	18	-	18
380	Long Island Commercial Review.	-	14,000	14,000
		84,765	14,795	99,560
SECURITIES HELD BY LONG ISLAND NATIONAL BANK (2)				
$ 59,000	Governmental Statistical Corporation.....	-	-	-
756	Matanuska Valley Bank.....	11,340	-	11,340
19,000	Long Island Commercial Review 4% Note Receivable.....	-	-	- (3)
640	Matanuska Valley Bank.....	-	-	- (3)
130	Bank of Suffolk County.....	-	-	- (3)
31	National Bank of Alaska.....	-	-	- (3)
		11,340	-	11,340
SECURITIES HELD BY NATIONAL BANK OF ALASKA				
6,700	Central Alaska Utilities.....	1,100	-	1,100
TOTAL.....		$97,205	$14,795	$112,000

(1) Security valuations were furnished by the Receivers at conservative liquidating values.

(2) Securities are held under collateral loan agreement to loan of Governmental Statistical Corporation in the principal amount of $62,000, plus $1,796 accrued interest. The bank is also holding as collateral 4% notes receivable of The Alaska State Development Corporation due to Governmental Statistical Corporation in the amount of $95,000 maturing August 1, 1973.

(3) No values were assigned by the Receiver as securities are subject to claims asserted by Dorothy Tilney.

I. ALAN HARRIS AND JOSEPH C. HOGAN, RECEIVERS FOR
TILNEY & COMPANY (A PARTNERSHIP) AND
FREDERICK TILNEY (AN INDIVIDUAL)

Transfers and Advances Between Tilney & Company
and Frederick Tilney During Receivership Period(1)
December 18, 1967 To June 30, 1969

Funds Due to Frederick Tilney from Tilney & Company
on sale of Frederick Tilney's securities, deposited
in Tilney & Company accounts -

Number of Shares	Description of Securities		
4	Long Island National Bank.....	$ 78	
3	Valley National Bank.....	88	
50	Victoria Algoma.....	9	
990	Matinecock Bank.....	19,751	
5	Western Airlines.....	160	
304	Alaska State Bank.....	11,856	
			$31,942

Expenses Paid by Tilney & Company
For Frederick Tilney (1) -

Advances to Frederick Tilney.....	350	
Mortgage and life insurance - home.....	9,376	
Real estate taxes - home and property.....	5,099	
Oil for home.....	776	
Insurance - home.....	663	
		16,264

Balance Due To Frederick Tilney From
Tilney & Company - June 30, 1969..... $15,678

(1) The foregoing may be subject to further allocations between Tilney & Company and Frederick Tilney for allocation of certain administration expenses and income.

I. ALAN HARRIS AND JOSEPH C. HOGAN, RECEIVERS FOR
TILNEY & COMPANY (A PARTNERSHIP) AND
FREDERICK TILNEY (AN INDIVIDUAL)

Notes To Financial Report
June 30, 1969

NOTE 1 - VALUATION OF ASSETS

Asset values were furnished by the receivers based primarily upon bids received for securities and appraised values and offers for real estate consistent with conservative liquating values which may ultimately be realized upon liquidation.

NOTE 2 - INVESTMENT IN AND RECEIVABLE FROM AFFILIATES

The amounts recoverable from the investments in and receivable from affiliates can not be presently determined by the receivers and their counsel. Current financial statements of affiliates are unavailable for review. Accordingly, the accompanying financial statement omits any valuation for estimated realizable amounts.

Government Statistical Corporation presently owns real estate located in Hicksville, New York. In 1966, Government Statistical was awarded $45,100 by the State of New York on property condemned in Hicksville, New York, which amount has not yet been received and is being contested.

Tilney Construction Corporation presently owns real estate in East Norwich and Hicksville, New York.

Details of any indebtedness by Mrs. Dorothy Tilney to the estates have not yet been furnished and examined.

NOTE 3 - LIABILITIES TO CUSTOMERS

Liabilities to customers are tentatively stated at account balances as of December 17, 1967 and market valuations on that date for failed to deliver securities. For purposes of valuing creditor proofs of claim where specific securities are claimed, the receivers and their counsel have tentatively advised valuing such claim equivalent to the customer's original cost. The foregoing is subject to review and approval by the court.

I. ALAN HARRIS AND JOSEPH C. HOGAN, RECEIVERS FOR
TILNEY & COMPANY (A PARTNERSHIP) AND
FREDERICK TILNEY (AN INDIVIDUAL)

Notes To Financial Report
June 30, 1969

NOTE 4 - ADMINISTRATION FEES AND EXPENSES

Administration fees and expenses are subject to review by the court and have not yet been determined. In the opinion of the receivers, such cost might be substantial.

NOTE 5 - NOTES PAYABLE AND ACCRUED INTEREST PAYABLE TO THE TILNEY CHILDREN

The receivers have instituted legal action to have eliminated the alleged indebtedness of Frederick Tilney on gifts of notes to his children aggregating $30,330 at December 17, 1967. The matter is presently before the court.

NOTE 6 - NOTE PAYABLE TO TINKER NATIONAL BANK

A note payable in the principal amount of $98,000 was due and payable to the Tinker National Bank by Frederick Tilney and Dorothy Tilney jointly. For the purposes of financial reporting the entire principal balance is shown as an obligation of Frederick Tilney. Accordingly, the receivers would have a right of contribution against Dorothy Tilney in the event it was required to liquidate the obligation in full.

NOTE 7 - CONTINGENT LIABILITY TO LONG ISLAND NATIONAL BANK

Tilney & Company and Frederick Tilney are contingently liable under a collateral loan agreement to a loan by Long Island National Bank to Governmental Statistical Corporation in the principal amount of $62,000 plus accrued interest of $1,796 at June 30, 1969. In addition to cash and securities of Tilney & Company held by the bank as collateral and tentatively valued at $44,879 (see Schedule 2), it also holds as collateral a 4% note in the face amount of $95,000 issued by The Alaska State Development Corporation to Governmental Statistical Corporation, maturing August 1, 1973.

I. ALAN HARRIS AND JOSEPH C. HOGAN, RECEIVERS FOR
TILNEY & COMPANY (A PARTNERSHIP) AND
FREDERICK TILNEY (AN INDIVIDUAL)

Notes To Financial Report
June 30, 1969

NOTE 8 - CONTINGENT LIABILITY FOR INCOME TAXES

The receivers are obligated to file fiduciary income tax returns covering income and expenses during the administration period. The respective tax information would be required to be incorporated in Frederick Tilney's individual or joint income tax return and the tax, if any, paid therwith. The extent of any incom tax liability or the extent of available operating losses for purposes of tax savings or refund claims have not yet been determined, pending determination of the tax basis of property sold during the administration period.

NOTE 9 - VACANT LAND - ANCHORAGE, ALASKA

Frederick and Dorothy Tilney owned certain vacant land in Anchorage, Alaska, which was purchased in 1968 by the receivers on behalf of Tilney & Company and Frederick Tilney under foreclosure sale for approximately $14,000. The investment is tentatively carried in the Tilney & Company accounts inasmuch as proceeds used in acquisition emanated from such estate.

TILNEY & COMPANY, INC.

47 WEST NICHOLAI STREET • HICKSVILLE, NEW YORK 11801
516-681-1717

STATE & MUNICIPAL BONDS
REVENUE BONDS

U.S. GOVERNMENT SECURITIES
HOUSING AUTHORITY BONDS

July 23, 1969

Hon. David N. Edelstein
District Court
Southern District of New York
United States Court House
New York, New York

Dear Judge Edelstein:

The enclosed Status Report addressed to Joseph C. Hogan, Esq., Receiver for Tilney & Company and myself, has been prepared as directed.

The figures regarding the three affiliated companies are unaudited and must be considered as inventory figures taken from the books and records adjusted to June 30, 1969.

The matter of the October 31, 1968, taxes is touched on generally but will require additional work by ourselves in conjunction with the accountants before a final figure can be determined.

In the matter of a possible tax for the fiscal year ending October 31, 1969, additional work with the accountants will also be necessary before a firm figure can be given as to any possible tax liability It would appear at this time that there is none.

At this time, I would like to thank you for the patience and courtesy you have extended to Mrs. Tilney and myself.

Respectfully,

Frederick Tilney

FT/dt

Enc.

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TILNEY & COMPANY, INC.

47 WEST NICHOLAI STREET • HICKSVILLE, NEW YORK 11801
516-681-1717

STATE & MUNICIPAL BONDS
REVENUE BONDS

U.S. GOVERNMENT SECURITIES
HOUSING AUTHORITY BONDS

July 21, 1969

Joseph C. Hogan, Esq.
Receiver for Tilney & Company
and Frederick Tilney
Hogan & Kelleher
40 Wall Street
New York, N. Y. 10005

Dear Mr. Hogan:

Pursuant to instructions of Judge David N. Edelstein at a hearing in Federal District Court, Southern District of New York on July 16, 1969, I have prepared the following communication addressed to you as Receiver.

This communication covers the various points raised by Judge Edelstein which he desired answered at a hearing set for July 24, 1969, at 11:00 A.M. at the Federal Court House, Foley Square, New York. This communication is being forwarded to the following persons:

Frank Ormsten, Esq., United States Securities and Exchange Commission, 26 Federal Plaza, New York, Plaintiff

Hon. Robert F. Wagner, Jr., Wagner, Quillinan & Tennant, counsel fo the Receivers, now the Receiver

Robert G. Benisch, Esq., of counsel to Wagner, Quillinan & Tennant

Dr. B. Bernard Greidinger, Certified Public Accountant

Edward J. Gunnigle, Esq., President of Marine Midland Tinker National Bank, a major creditor

Hon. Joseph Carlino, Guardian of Kathleen G. Tilney, Dorothy C. Tilney and Frederick Tilney, Jr., major creditors

Dorothy M. Tilney, limited partner of Tilney & Company and a major creditor

In addition to the information requested by Judge Edelstein to which I am responding, it is understood that the receiver, counsel and auditors were to be prepared to present information regarding their fees and charges and

the fees and charges, if any, for the ex-receiver, I. Alan Harris, Esq. Such information was requested by the counsel for the United States Securities and Exchange Commission and who also requested financial information regarding the position of Dorothy M. Tilney, the limited partner of Tilney & Company and one of the firm's largest creditors.

Excepting for the two items mentioned in the preceding paragraph, this communication covers the following points:

1. A readjustment of the report of B. Bernard Greidinger & Company showing the pro forma status of Tilney & Company and Frederick Tilney as of June 30, 1969, taking into account certain proposals made by Marine Midland Tinker National Bank, a major creditor, and proposals which are under consideration by the Hon. Joseph F. Carlino, guardian for Kathleen Gail Tilney, Dorothy C. Tilney and Frederick Tilney, Jr., minors, also a major creditor, as well as a proposal made by Mrs. Dorothy M. Tilney, limited partner of the firm of Tilney & Company and a major creditor. (See Exhibits A through D attached).

   It may be here noted that these three creditors control $385,070.00 of the liabilities of Tilney & Company and Frederick Tilney.

   The data covering the readjustment of, first, liabilities and, then, assets are carried in the body of this letter immediately following the listing of the other material which the Court directed be furnished. Such other material is listed in brief outline below.

2. Status of Governmental Statistical Corporation, an affiliate, as of June 30, 1969 (see Appendix I).

3. Status of Tilney & Company, Inc., an affiliate, as of June 30, 1969 (see Appendix II).

4. Status of Tilney Construction Corporation, Inc., an affiliate, as of June 30, 1969 (see Appendix III).

5. The other assets not valued in the Greidinger report are discussed in Appendix IV. (F&F, CSV and due from customers, Schedule VI, 5/31/68).

6. Memorandum on the status of federal and state income taxes covering the fiscal years ending October 31, 1962 - 1967, respectively, have already been filed and are discussed in Appendix V.

7. The status of the federal and state income taxes ending October 31, 1968 is covered in Appendix VI.

8. Estimated status of federal and state tax liability for the fiscal year ending October 31, 1969 (see Appendix VII).

9. Status of any potential priority claims not listed in the Greidinger report or previously considered (Appendix VIII).

10. Jointly owned property of Dorothy and Frederick Tilney not included in any tabulation of assets or liabilities in previous reports or elsewhere (Appendix IX).

11. Claims against others due to Frederick Tilney (Appendix X).

In addition to Appendix I through Appendix X listed above, attached and made a part of this communication are the following Exhibits:

A. Letter from Frederick Tilney on Tilney & Company, Inc. letterhead to Joseph C. Hogan, Esq., dated July 16, 1969, regarding costs and depreciation on Sundown and adjacent lots.

B. Letter from Dorothy M. Tilney dated July 21, 1969 on Tilney & Company, Inc. letterhead addressed to Joseph C. Hogan, Esq., regarding claims against Receivership of Dorothy M. Tilney.

C. Letter from Frederick Tilney on Tilney & Company, Inc. letterhead to Joseph F. Carlino, Esq., regarding the guardianship of Kathleen Gail Tilney, Dorothy C. Tilney and Frederick Tilney, Jr.

D. Letter dated July 15, 1969 from Frederick Tilney on Tilney & Company, Inc. letterhead to Joseph C. Hogan, Esq., covering special report of assets and liabilities of Tilney & Company and Frederick Tilney.

1 -- Liabilities Adjusted from Greidinger's Report as of June 30, 1969

Based upon the uncertified report of B. Bernard Greidinger & Company, Certified Public Accountants, dated June 30, 1969, covering the position of Tilney & Company and Frederick Tilney as of that date, additional data is submitted.

This additional data commences with the figures of B. Bernard Greidinger & Company as to the liabilities appearing at the bottom of Exhibit A, Part II, of their report consisting of four columns entitled "Proof of Claims Filed", "Total", "Tilney & Company" and "Frederick Tilney". As in the Greidinger report, pennies are omitted. Footnotes beside the various items immediately follow the tabulation of liabilities which seeks to establish a final net liability for Tilney & Company based on claims filed and the various adjustments now under consideration.

The total proofs of claims which will have to be paid by the Receiver after adjustments from the figures in the Greidinger report drop to $271,879 including estimated administrative expenses. Total liabilities are slightly higher and an adjustment of these figures will have to be worked out with Greidinger & Co. The various liability items are footnoted immediately following the tabulation explaining the reasoning for each adjustment or change.

Following the notes on the adjustments in the liabilities from the Greidinger report is a tabulation setting forth the adjustments to the asset portion of the Greidinger report, Exhibit A, Part I. It can be noted that the total assets as valued in the Greidinger report less suggested withdrawals for collateralization total $311,192 which is more than sufficient to cover the $271,879 of potential claims and estimated administrative expenses which the Receiver can anticipate paying, there being a margin of almost $40,000.

Certain other additions have been made to the Greidinger figures which are footnoted and explained. With these additions, the margin of coverage increased to over $172,000. All of the figures allow for estimated administrative expenses.

The net value of the three affiliates -- Governmental Statistical Corporation, Tilney & Company, Inc. and Tilney Construction Corporation, Inc. is shown on a book basis as well as a current market basis. The breakdown between Tilney & Company and Frederick Tilney insofar as the affiliates are concerned is not considered.

The book basis of the affiliates is $ 734,035 and the current net market value of the three affiliates is $601,378 excluding minority interests.

In view of the fact that apparently there will be sufficient assets to meet all claims and administrative expenses, we would like to recommend at this time that a 50% distribution be made on all settled claims filed and that the proposal of the Marine Midland Tinker National Bank, the suggested proposal by the guardian of the minor children and the proposal by Mrs. Tilney be approved as to collateralization and that the stipulations covering the three affiliated companies be expunged. (Exhibits B, C and D).

Liabilities 6/30/69

	Notes	Claims Filed 6/30/69	Total	Tilney & Co.	Frederick Tilney
B.B. Greidinger 6/30/69		$354,789	$573,901	$207,148	$276,753
Adjustment	(20)	925	--	--	--
		$355,714			
Additions to liabilities not previously booked					
Dorothy M. Tilney Contribution beyond Limited Capital	(1)	--	55,000	55,000	--
Children cash advances	(2)	--	17,601	--	17,601
Dorothy M. Tilney, Limited Cap.	(3)	--	2,500	2,500	--
Marine Midland Tinker National Bank, Interest	(4)	--	13,000	--	13,000
Dorothy Tilney, Sundown cost	(5)	--	26,000	--	26,000
Dorothy Tilney, Sundown value	(6)	--	12,332	--	12,332
Maximum with additions	(7)	$355,714	$700,334	$354,648	$345,636
Reductions					
Marine Midland Tinker	(8)	$ 98,000	$111,000	--	$111,000
National Bank of Alaska	(9)	--	1,100	--	1,100
Children's securities	(10)	--	27,832	27,832	--
Children's notes	(10)	--	130,330	--	130,330
Kathleen G. Tilney, advance	(10)	--	435	435	--
Children's advances	(10)	--	17,601	--	17,601
Dorothy M. Tilney, advance	(11)	--	2,040	2,040	--
Estate of C.H. Tilney	(12)	--	680	680	--
Dorothy M. Tilney, advance	(1)	--	55,000	55,000	--
Dorothy M. Tilney, Limited Cap.	(3)	--	2,500	2,500	--
Dorothy Tilney, Sundown cost	(5)	--	26,000	--	26,000
Dorothy Tilney, Sundown value	(6)	--	12,332	--	12,332
To be paid by associated companies	(13)	3,414	3,414	3,414	--
Reduction		$101,414	$390,264	$ 91,901	$298,363
Net liabilities		$254,300	$310,070	$262,747	$ 47,323
Adjusted personal claim	(14)	(727)	(727)	--	(727)
		$253,573	$309,343	$262,747	$ 46,596
Liabilities to continue after Receivership					
F.I. duPont	(15)	--	3,105	3,105	--
Franklin National	(16)	--	3,150	3,150	--
Equitable Life	(17)	--	26,956	--	26,956
Personal claims held	(14)	--	6,593	--	6,593
		$ --	$ 39,304	$ 6,255	$ 33,541
Net Liabilities to pay		$253,573	$269,539	$256,492	$ 13,047

	Notes	Claims Filed 6/30/69	Total	Tilney & Co.	Frederick Tilney
Final Adjustments					
Customers claims due in	(18)	$ 7,666	$ --	$ --	$ --
Tilney & Co., commercial claims due in	(19)	3,210	--	--	--
Personal claims due in	(14)	1,052	536	--	536
Adjusted customers' claims	(20)	(19,416)	(19,410)	(19,416)	--
Adjusted commercial claims	(21)	(19,206)	(19,206)	(19,206)	--
Net Amount Due by Receiver		$226,379	$231,453	$217,870	$13,583
Expenses of administration	(22)	45,000	45,000	45,000	--
Net Amount Due	(23)	$271,079	$276,453	$262,870	$13,583

Notes on Liabilities

(1) Mrs. Dorothy H. Tilney contributed the entire share of a joint loan made by her and Mr. Tilney in the amount of $100,000 to Tilney & Company in an effort to bolster its position during the period 1965-67. Originally in the amount of $50,000, Mrs. Tilney is claiming $55,000 including interest (see Exhibit B).

(2) The Tilney children have advanced funds of their own to Mr. Tilney in the amount of $17,601 (see Exhibit C).

(3) Mrs. Tilney is claiming at this time her limited partnership interest in the firm in the amount of $2,500 (see Exhibit B) and will accept collateralization.

(4) Liabilities are increased by the addition of $13,000 of interest and some principal on the loan of the Tinker National Bank being charged to Mr. Tilney (see note 8 following).

(5) Mrs. Tilney is claiming investments in the Sundown property and adjacent lots to be mortgaged to the Marine Midland Tinker National Bank in the original cost amount of $26,000. These figures are more fully explained in a letter marked Exhibit A (see Exhibit C as well).

(6) Mrs. Dorothy H. Tilney is claiming additional compensation on the basis of the increase in value of Sundown and the adjacent land parcels which are being valued at $152,000 as per the Greidinger report of June 30, 1969, whereby the proportionate increase in value above original cost of $103,100 represents an appreciation of 47.43% of original cost (see Exhibits A and C).

(7) The maximum liabilities with the added items covered by footnotes 1 through 6 above are here indicated and are subject to reduction through collateralization as listed immediately below.

(8) A second mortgage of approximately $111,000 is to be made by the Marine Midland Tinker National Bank in satisfaction of their outstanding claim

of $98,000 plus the interest that they would be eligible to claim if interest is approved by the Court from Decemger 17, 1967 to the date of settlement.

(9) A certain loan of the National Bank of Alaska in the amount of approximately $1,100 to be repaid by Mrs. Tilney in exchange for the delivery of the collateral securing the loan to her for the benefit of herself and her children.

(10) The stated value of the securities of Kathleen Gail Tilney, Dorothy C. Tilney and Frederick Tilney, Jr. to be released by the children's guardian in exchange for appropriate collateralization and the elimination for the purposes of the Receivership of certain notes issued by Frederick Tilney in the amount of $130,330 including accrued interest only to December 17, 1967 as well as an advance of $435.00 by Kathleen Gail Tilney and advances to Frederick Tilney by his children in the amount of $17,601. All of the above items are to be covered by appropriate collateralizstion satisfactory to the children's guardian as suggested in Exhibit C.

(11) Certain advances made by Dorothy H. Tilney are to be covered by collateralization (see Exhibit B).

(12) Tilney & Company's books reflect an item of $680.00 due to the Estate of Camilla H. Tilney. Mr. Tilney is the residual beneficiary of this estate. This item for the purposes of the Receivership can be expunged.

(13) These charges are actually payable by associated companies. See also note 21.

(14) Claims against Frederick Tilney filed through Claim 109, Dr. Mara, total $13,166.91. $291.39 are not chargeable to the Receivership and a claim of $207.11 will be contested. Mrs. Tilney has paid down by $435.74 and will hold the Receivership in this amount. Claims filed should be reduced by $727.00 to $12,233.00.

Miller, Montgomery & Spaulding will not file a claim in the amount of $5,084.83 including Court Press. Mrs. Tilney is responsible for half of this liability (see Schedule I, Exhibit D).

Mrs. Tilney will hold her claim on bills paid in the amount of $1,509.00 (see Schedule I, Exhibit E).

Total commercial claims not filed against Frederick Tilney are $1,052. Maximum claims payable by Receivership are $13,286.

An income tax claim carried by Gredinger as $287 will actually net out at $197 if paid currently. This covers 1962 federal taxes. A claim of about $100 can be expected from New York State.

Maximum claims that the Receivership will have to pay on behalf of Frederick Tilney including tax will be $13,533 including those not yet filed. This figure requires an adjustment in the Frederick Tilney column heading of $536.00. There may be a claim on domestic unemployment although this is being contested.

(15) Francis I. duPont & Co. has not filed a claim (see Schedule E, Exhibit D). This liability will be taken over by Tilney & Company, Inc.

(16) This liability will be assumed by Tilney & Company, Inc.

(17) So long as the Equitable mortgage is kept current, the mortgage will not have to be paid.

(18) There are 40 customers who have not filed claims which according to Greidinger figures of 12/17/67 would create a liability of $10,892. These claims should be settled for $7,666 (see Schedule C, Exhibit D).

(19) Commercial accounts still due in are as outlined in Schedule G of Exhibit D. The claim of Xerox Corporation should be contested to the extent of $422.46. Xerox made an offer of settlement.

(20) Greidinger report of June 30, 1969 indicates customers' claims filed as $179,440. Schedule A of Exhibit D indicates customers' claims of $180,364.61. To cover the difference, $925.00 has been added to the Greidinger figure subject to detailed analysis. As indicated in Schedule A of Exhibit D, the suggested payments on claims filed should be reduced by $19,416. See also Greidinger's note 3 in the report of June 30, 1969.

(21) Greidinger reports commercial claims as $57,396 received as of June 30,1969. In Schedule B of Exhibit D this figure appears as $65,532. As indicated in Schedule B of Exhibit D, these claims should be reduced to $38,690 by adjustments. This would reduce the Greidinger figure by $19,206. A discrepancy between the Greidinger figures and those in Schedule B of Exhibit D should be immediately reviewed. A claim of $450 filed by New York State Unemployment Insurance is believed invalid and has been deleted.

(22) Certain adjustments have been made in administrative expenses including the elimination of $1,635 by claims of Mrs. Tilney and Kathleen G. Tilney included elsewhere. An overall reduction in administrative expenses from the original figure in Schedule A, Exhibit B, has brought the total of this estimated account to $45,000.

(23) The difference between the total claims filed or to be filed including fees and administrative expenses and the total liabilies should be reviewed and brought into exact alignment.

Assets
6/30/69

	Notes	Total	Tilney & Co.	Frederick Tilney
B. B. Greidinger 6/30/69	(1)	$525,372	$339,104	$186,268
Delete				
47,197 shs. City Commerce, com.	(2)	(7,030)	(7,030)	--
$55,844 City Commerce debentures 7%, 7/1/71	(2)	(40,000)	(40,000)	--
380 shs. Commercial Rev.	(2)	(14,000)	--	(14,000)
$19,000 Notes, Commercial Rev.	(3)	--	--	--
640 shs. Matanuska Valley	(4)	--	--	--
130 shs. Bank of Suffolk Co.	(3)	--	--	--
6,707 shs. Central Alaska Utilities	(5)	(1,100)	--	(1,100)
220 shs. Alaska State Bank	(6)	--	--	--
380 shs. Marine Midland Corp	(6)	--	--	--
Sundown and 3 lots	(7)	(152,000)	--	(152,000)
31 shs. Nat. Bank of Alaska	(8)	--	--	--
		$311,192	$292,024	$ 19,163
Additions				
Damage claim	(9)	5,000	--	5,000
Revalue, Matanuska Valley Bank	(10)	48,852	48,057	795
Income to 3/15/69	(11)	1,250	1,250	--
Due from customers	(12)	4,100	4,100	--
Due from others	(13)	5,700	--	5,700
CSV, life insurance	(14)	3,500	3.500	--
Furniture & Fixtures	(15)	2,000	2,000	--
Waddington Bank recovery	(16)	40,000	40,000	--
Revaluation, Anchorage property	(17)	20,000	20,000	--
Probable claim, Alaska St. Bk.	(18)	2,500	2,500	--
Net assets excluding affiliates		$444,094	$413,431	$30,663

		Book Basis	Book Plus Increment before Taxes
Governmental Statistical Corp.	(19)	$674,907 *	$355,200
Tilney & Company, Inc;	(20)	None **	None **
Tilney Construction Corp., Inc.	(21)	59,128	246,178
		$734,035	$601,378

This statement excludes any value to Tilney & Company organization expenses, good will, files and library of Tilney & Company.

* Per B. Bernard Greidinger, 6/30/69.

** Only value to Receiver would be Mr. Tilney's 90 shares of stock of Tilney & Company, Inc.

Notes on Assets

(1) These figures were taken from the Greidinger report of June 30, 1969, Exhibit A, Part I, line designated Total assets".

(2) These items are to be deleted since under the program outlined they will be used as collateral for obligations due the Tilney children and Mrs. Tilney.

(3) These securities are the property of Mrs. Tilney and have been paid for by her or gifted to her by Mr. Tilney prior to December 31, 1964. Although carried in Mr. Tilney's name, Mrs. Tilney has absolute claim to these items subject only to the cross guarantee referred to in note (8) below.

(4) These securities were purchased jointly by Mr. and Mrs. Tilney through a bank loan at the Long Island National Bank which was paid off jointly. These securities are referred to again in Appendix IX.

(5) These securities are presently under loan at the National Bank of Alaska. Mrs. Tilney will pay this loan and take possession of the collateral in collateralizing her obligations.

(6) These securities are the absolute property of Tilney & Company, Inc. and have been claimed by Tilney & Company, Inc.

(7) A reduction in value taken from the assigned value, Exhibit A, Part I, of the Greidinger report of June 30, 1969, since property will be pledged.

(8) These securities are registered in Mrs. Tilney's name and were pledged by her in connection with a bank loan of Tilney & Company at the Long Island National Bank. They will be released to her when the cross guarantees are extinguished by the liquidation of a secured note of $62,000 of Governmental Statistical Corporation.

(9) A potential damage claim against Central Alaska Utilities for taking an easement across the Anchorage property owned jointly by Dorothy Tilney, Frederick Tilney and Richard and Ellen Sassara is being examined by counsel in Alaska.

(10) Matanuska Valley Bank stock carried at $15 per share should be revalued to $30 a share in the light of the presently improved condition of the bank and recent quotes and trades.

(11) $200,000 U.S. Treasury 6% Notes will mature August 15, 1969, producing the income indicated.

(12) The funds due from customers are covered in the Gridinger report of May 31, 1968 (Schedule VI). One amount, now approximately $750, will be paid by Mrs. Tilney in acquiring collateral on the one collateral loan of a customer held by the firm in conjunction with the closing of the Receivership. The other claims should be reviewed and pressed vigorously.

(13) Counsel for the Receivership has information regarding a claim against a note of Richard Michaels and obligations of Richard and Ellen Sassara in connection with the Anchorage property which the Receivership purchased in a foreclosure.

(14) Cash surrender value as reported in the Greidinger report could be converted if the life insurance on the two partners of Tilney & Company is no longer deemed necessary to protect the public interest or the partners could be given the option of acquiring the policies for the cash surrender value.

(15) Furniture and fixtures are carried in the Greidinger report at only $1,200. It is believed that after allowing for some insurance on machines stolen that the total value realized through transfer to Tilney & Company, Inc., Governmental Statistical Corporation or sold would net out to $3,217.

(16) It is anticipated that the Waddington Bank stock to be returned to the estate for public auction will produce a substantially higher figure than the original sale.

(17) On the basis of Mr. Tilney's recent trip to Alaska and a report to the Receiver, the property acquired by the Receivership for slightly less than $15,000 should be revalued at $35,000 pursuant to advice of competent realtors. The Anchorage area is experiencing a major real estate boom.

(18) In closing Tilney & Company's account with the Alaska State Bank, certain claims were filed which wiped out the account. There appears to be a discrepancy which could produce up to $2,500 in cash from the bank.

Discussion of Appendix I through Appendix X

Appendix I:

The status of Governmental Statistical Corporation clearly indicates that the organization which has a substantial asset value is suffering from inertia. Since it can now apparently be determined that Tilney & Company alone will be able to meet all of its obligations including administrative expenses, Governmental Statistical Corporation should be allowed to be eliminated from the stipulation in order to be in a position to effect advantageous mergers or other similar arrangements necessary to protect and increase the net asset value.

Appendix II:

Since Tilney & Company, Inc. has no equity value in favor of the Receiver, the continuation of this organization under the stipulation appears unnecessary. Since Tilney & Company, Inc. is actually the successor to Tilney & Company and took over commitments of Tilney & Company to be in a position to participate in underwriting syndicates based on the historical position of Tilney & Company, the sooner this organization can become really active the better.

Appendix III:

Indicates a material value for Tilney Construction Corporation, Inc.

Appendix IV:

Indicates no liability to the Estate on the part of Mrs. Tilney and points to some additional values that can be picked up to increase the liquidity of the Estate.

Appendix V:

Indicates no tax problem from 1962 through 1967 with no help on loss carry back.

Appendix VI:

Indicates no tax liability for 1968.

Appendix VII:

Indicates that there could be a tax exposure if capital gains are created in 1969

It appears necessary to analyze the tax situation of the Receivership Estate with great care. The Estate has already suffered from precipitous liquidation particularly in the matter of some 6,000 shares of Matinecock Bank which was sold at a figure of virtually half the price which pertained a short time later. While no capital gain was incurred by this sale, a capital gain at double the price would have added substantially to the cash position of the Estate.

The same situation pertains to the D. Raymond Kenney matter which was settled at a figure of $35,000 below par. The impact of this settlement may be a tax advantage this year.

Since efforts are to be made to recover on both of these items, any recovery would probably occur in the tax year ending October 31, 1969 if litigation is settled and does not become protacted. Should litigation be protacted, the probable settlement will be included in 1969 income on an accrual basis.

In preparing this presentation, it is assumed that the Marine Midland Tinker National Bank will accept a second mortgage on the property known as Sundown and a first mortgage on three adjacent lots in the Harbor View development in exchange for releasing any claims against the Receivership. The amount now claimed by Tinker National Bank, now Marine Midland Tinker National Bank, was originally $98,000 plus interest as well as some additional principal advances in the amount of approximately $13,000. It is recognized that the interest allowance from December 17, 1967 to the date of consummation of this transaction will be subject to the approval of the Court and may be reduced. No court-directed reduction is included in the figure presented.

The bond, note and mortgage covering the secondary position on Sundown and the primary position on the adjacent lots will be signed by both Mrs. Tilney and myself and will be subject to a first mortgage on the Sundown property as differentiated from the adjacent lots which are now unencumbered by mortgages.

The first mortgage on Sundown is held by the Equitable Life Assurance Society of the United States. As additional collateral, the first mortgage now has an insurance policy on my life in the amount of $40,000 on which Mrs. Tilney is beneficiary. We have agreed to assign the cash surrender value and death benefits as interest may appear, subject to the laws of the State of New York and the regulations of the Society, to the Marine Midland Tinker National Bank over our joint signatures.

In addition to formalizing the Marine Midland Tinker National Bank transaction to protect both that institution and to free the estate to meet its customers' claims, particularly the various items referred to in Exhibits B and C, should be of immediate concern as well as the regularizing of the relationship of Mrs. Tilney with the Receiver and the minor children.

It would appear that if the Tinker matter can be satisfactorily resolved as well as the collaterization of the children's position and Mrs. Tilney there could be no reason for delaying the immediate partial distribution to the customers and trade creditors.

Trusting that this communication will prove helpful to the Court, the Receiver, auditors and counsel, I am,

Respectfully,

Frederick Tilney

FT/dt

APPENDIX I

STATUS OF GOVERNMENTAL STATISTICAL CORPORATION

Governmental Statistical Corporation was founded in 1947 handling a wide range of municipal bond flotations totaling several billion dollars up until October 15, 1967. At that time a number of the key personnel of the organization left to form their own business, seriously crippling the operations of Governmental Statistical Corporation.

In the balance sheet following the pro forma rounded figures appearing on the books of the corporation are indicated up to and including June 30, 1969.

An elimination of virtually all assets from the books of Governmental Statistical Corporation except real estate, condemnation awards, cash, good receivables and the like would result in reducing the assets of the corporation by $716,000, leaving net sound marketable assets of $432,225. Eliminating accrued interest on the notes, liabilities of a general nature amount to less than $200,000, leaving an equity to the notes of $232,225. Should such writeoffs be taken, a tax loss of over $700,000 would be established. At present tax rates, such a loss would be worth $425,000 in tax savings. Using 40% of this figure would add approximately $170,000 to the basic book value of the corporation, bringing it to $400,000 after payment of all general obligations, bank loans, etc. Applied to the outstanding notes of $689,000, this equity insofar as the notes are concerned would result in a dollar value of the notes of 64% at par without regard to interest.

Since Tilney & Company owns $555,000 notes, this would result in an equity value for Tilney & Company in Governmental Statistical Corporation of $355,200.

Book Assets

		9/30/68		6/30/69	
1	Postage	$ 10		$ 20	
2	Cash	100		200	
3	Accounts Receivable	77,000		37,000	
4	Work in Progress	350,000		380,000	
5	Accrued Int. Receivable	11,600		7,550	
6	Prepaid Insurance & Exp.	1,000		1,000	
7	Federal Tax Refund	--		--	
8	Excise Tax Claimable	10,800		11,500	
9	Insurance Claims	--		--	
			$ 450,510		$ 432,270
10	Investments:				
a.	ASDC note 4%, 8/1/73	95,000		95,000	
b.	Tilney Construction Corp.	6,476		476	
			101,476		95,476

APPENDIX I -- Cont'd.

		9/30/68		6/30/69	
11	**Fixed Assets:**				
	a. Land & Bldg.	$ 39,000		$ 37,000	
	b. Land & Garages	45,000		45,000	
	c. Furniture, Fixt., Autos	7,000		6,500	
			$ 91,000		$ 88,500
	Other Assets:				
12	Valuable Papers	120,000		125,000	
13	Corporation Projects	290,000		330,000	
14	Mortgage & Int. Rec.	1,400		1,500	
15	Due from officer	6,829		6,829	
16	Maps, Surveys & Supplies	11,500		11,250	
17	Deposits	1,825		2,100	
18	CSV, Life	200		250	
19	Miscellaneous	3,000		3,000	
			434,754		479,929
19a	Condemnation Award		47,200		47,200
			$1,124,940		$1,148,325
	Book Liabilities				
20	Note payable to bank	62,000		62,000	
21	Mortgage	30,000		30,000	
22	Notes current	--		--	
23	Accounts Payable	14,800		11,300	
24	Accrued Taxes	24,000		16,000	
25	Accrued Interest	114,435		157,632	
26 a	Other accrued liabilities	2,100		2,100	
b	Due officers' children	8,800		9,000	
c	Salaries payable	8,800		8,400	
d	Fees, condemnation	1,700		1,700	
e		18,700		32,700	
			$ 284,535		$ 330,832
	Long Term Debt				
27	7 1/2% Notes	74,000		74,000	
28	Due Tilney & Company	--		--	
29	Due officers	20,000		30,000	
30	Mortgage payable	---		--	
31	Notes, 7%	630,000		590,000	
32	Notes, 6%	25,000		25,000	
33	Base Notes, 6%	5,000		5,000	
			$ 754,000		$ 714,000
			$1,038,535		$1,044,832
	Stockholders' Equity				
	Capital	22,000		22,000	
	Surplus arising from revaluation of assets	38,638		38,638	
		9,438		9,438	
	Revaluation reserve	16,329		33,417	
	Earned Surplus		86,405		103,493
			$1,124,940		$1,148,325

Note: Land owned by GSC carried on its books at $82,000; has a current valuation based on actual transactions pending on the bulk of the land of $264,000.

APPENDIX II

TILNEY & COMPANY, INC.

6/30/69

Tilney & Company, Inc. was formed January, 1967 to take over the securities business of Tilney & Company when it became obvious that due to a huge capital gain in 1966 Tilney & Company's tax position and that of Mr. and Mrs. Tilney would be extremely poor. For this reason, the new company was formed. It was never really active except in the bond business during 1967 and ceased activity when Tilney & Company was closed by the United States Securities and Exchange Commission on August 9, 1967.

Its activity since that time has been very limited and has had no dealings with the public except for service purposes.

Assets

Cash			$ 2.00
Securities:	220 shs. Alaska State Bank	$11,000	
	380 shs. Marine Midland Corp.	14,440	
			25,440.00

As of September 30, 1968 after Tilney & Company's bond account had been liquidated through the Franklin National Bank under the direction of the Receivers, it was established that Tilney & Company, Inc. was due by Tilney & Company $19,800.09. This claim is not being asserted at this time since the equity of Tilney & Company will eventually be available to capitalize Tilney & Company, Inc.

Liabilities

Accounts Payable		$ 7,290.25	
Syndicate Liability	net	4,335.30	
	Net Worth Before Subordination		11,625.55
			$13,714.45

In addition to the current liabilities, Tilney & Company, Inc. owes to Frederick Tilney $52,595.50 on a subordinated basis and also has outstanding $21,000 notes issued to the Marine Midland Tinker National Bank in connection with losses on repurchase agreements of Tilney & Company, Inc. on municipal securities carried by the bank. These notes, the interest on which is payable semi-annually will mature finally in May 1973. Other notes of this type will be issued from time to time if and when losses are taken on repurchased securities.

Contingent Liabilities:

Tilney & Company, Inc. is contingently liable on repurchase agreements of municipal securities with the Marine Midland Tinker National Bank. It

APPENDIX II -- Cont'd.

is understood that every effort will be made to mitigate the losses on these repurchase agreements and to permit Tilney & Company, Inc. to absorb the losses into its general operations when it is again active in business.

In addition, Tilney & Company, Inc. has an interest with an individual in a substantial block of Marine Midland Corporation stock which could result in future liability but might also result in a material future gain depending upon market trends.

In event of losses, the same procedure as in the case of Marine Midland Tinker National Bank would prevail in the matter of the Marine Midland Corporation stock.

Both Mr. and Mrs. Tilney have agreed to endorse the subordinated notes of the Marine Midland Tinker National Bank and any notes issued in connection with the Marine Midland Corporation stock arrangement. These notes would be of the same term and scope as those issued to the Marine Midland Tinker National Bank.

There is no income tax liability for 1968 and none is in prospect for 1969.

APPENDIX III

STATUS OF TILNEY CON TRUCTION CORPORATION, INC.

Tilney Construction Corporation, Inc. was originally organized in 1945 to hold real estate owned by Mr. Tilney and has from time to time been active in the purchase and sale of property.

The status of this corporation as of June 30, 1969 is as follows:

Assets

Cash		$ 7.33
Accounts Receivable		359.70
		$367.03

Fixed Assets	Value 12/31/68, Book	Value Current
Land, Griffin Terrace	$41,031.73	$150,000
Land, Broadway, Hicksville	11,500.00	113,000
Plans for buildings on Griffin Terrace	8,000.00	10,000
	$60,531.73	$273,000

Liabilities

Note payable, Governmental Statistical Corp.	476.00
Accrued interest payable, Governmental Stat.	1,673.92
Franchise Tax due	100.00
Due Federal Tilney (per B. B. Greidinger)	59,128.00
Accrued Real Estate Taxes	11,000.00
Miscellaneous liabilities (inter-family)	2,000.00
	$74,377.92

Equity at book	$(13,479.16)
Equity at Current Value before Capital Gains Tax	$198,989.11
Current Value Per Share	$ 1,989.89

Stockholders and Stockholders' Equity at Current Value

		Equity Book	Equity Current
Frederick Tilney	74 shares	None	$ 147,252
Estate of Camilla H. Tilney	25 shares	None	39,798
Dorothy M. Tilney	5 shares	None	9,949
Edward P. Schroeder	1 share	None	1,990

The book value for the Receiver would be limited to the figure of B. Bernard Greidinger & Co. of $59,128.00. For current value, the book plus appreciation before capital gains tax would be the value of $246,178,00.

Appendix III: (Cont'd)

Tilney Construction Corporation, Inc. is purely a holder of real property. It has a substantial asset value virtually all of which is owned by Mr. Tilney Therefore, it has been available to protect the creditors of Tilney & Company. Its ownership of property adjacent to Governmental Statistical Corporation property in Hicksville is already actively under discussion for development and since Tilney & Company will be able to pay off all of its obligations to the public and to others the early elimination of the stipulation in regard to Tilney Construction Corporation, Inc. would permit it to effect mergers and other adjustments that would be beneficial to the entire picture.

Appendix IV:

The miscellaneous assets not valued in the Greidinger report of June 30, 1969 are not of a particularly important nature.

The amount due by Dorothy M. Tilney, which has been a subject of discussion for 1 1/2 years, is denied by Mrs. Tilney. Mrs. Tilney denies any obligation to Tilney & Company and on the contrary has entered a sizeable claim. Mrs. Tilney's claim is included as Exhibit B attached hereto.

Office furniture and equipment have only moderate value. A recent burglary in Hicksville will permit the replacement of new equipment. The Tilney & Company furniture will be parceled out between Tilney & Company, Inc. and Governmental Statistical Corporation against cash payments.

Cash value of the partners' life insurance has an intrinsic value at the amount stated. Whether or not it should be continued at its heavy although low-rate loans should be a matter of discussion. It might be advisable to transfer this insurance over to Tilney & Company, Inc. as a protection to that organization.

Collection of the monies due from customers should be pressed. A substantia portion of this item should become available to the Receiver.

Appendix V:

An analysis has been made of the status of taxes for the fiscal years ending 1962 through 1967. Mr. and Mrs. Tilney have always filed joint returns and in 1966 it became apparent that due to a huge capital gain in that year when Tilney & Company was forced ruthlessly to liquidate securities in connection with problems with several of its major lending institutions and D. Raymond Kenney & Company that any advantage of loss carry back and carry forward ha been eliminated.

In the following table column 1 shows the net income or loss without consid eration of personal exemptions for the various years ending October 31. In column 2 the amount of the capital gain established in those years is

indicated at 50%. In column 3 the figure included after adjustment for net operating loss carry back is given.

	(1)	(2)	(3)
1962	$ (5,409.70)	$61,765.25	$56,355.52
1963	(3,451.80)	50,744.58	47,292.78
1964	541.89	36,020.68	36,562.57
1965	(86,132.26)	28,242.66	(57,889.60)
1966	(59,559.59)	846,094.23	786,534.64
1967	(160,739.23)	40,819.39	(119,919.86)

The foregoing figures clearly indicate that any capital gain established in 1968 and presumably in 1969 after offsetting current or operating losses if any could create a serious problem and could in all likelihood result in a priority claim against the Receiver.

The status as to audit of the various years is as follows:
1962 was audited and an assessment levied which was defended almost to the Tax Court when the IRS saw fit to reduce the levy which is to be settled at a modest sum, $197.00 in the case of the Receiver's share. The joint taxpayer is to pay the balance.

1963, 1964 and 1965 were audited and found to have no tax liability added to the returns. Although the 1965 return could be applied on a loss carry back to 1962, this would necessitate reopening the 1965 return and would expose the Receiver to possible efforts on the part of the IRS to eliminate deductions in 1965, creating taxable income.

1966 has been filed as indicated in the table but has not been audited. The same is true of 1967.

There will be a small state assessment in connection with the 1962 return. The State has been notified to send in its claim which should be in the range of $100.00 or less insofar as the Receiver is concerned.

Appendix VI:

The 1968 tax liability has not yet been established but on the basis of the sale of securities it would appear that the year would result in a net loss insofar as security sales are concerned. Taxes and other expenses continued during 1968 and there was little offsetting income since neither Mr. or Mrs. Tilney had any earned income of consequence during the year. Total salaries earned amounted to less than $4,000 and dividends were slightly in excess of $1,000.

A detailed income tax will be available for presentation prior to the last extension date, August 15. It is anticipated that there will be no tax payable for the fiscal year 1968 on a joint basis. Any loss sustained

before consideration of exemptions will have no value as a loss carry back in view of the situation existing in 1966.

Appendix VII:

The fiscal year 1969 had only progressed to the extent of eight months as of June 30. Income of the taxpayers is again extremely light and expenses and deductible items continue at approximately the same rate as in 1968. As a result, on a personal basis Mr. and Mrs. Tilney will have no tax liability unless it is created by capital gains.

The remaining securities in the portfolio are currently selling at prices commensurate with base cost or slightly above. The short position in customers' securities with a sharp decline in the market also appears likely to produce a net income factor of considerable magnitude.

While administrative expenses of the Receivership could be bulked into the year 1969, it does not appear that these will be of such size as to wipe out the net gain which appears likely to occur in the fiscal year ending October 31, 1969. The return of the Waddington Bank stock to the Estate and its attendant sale at presumably a higher figure further complicates the tax position.

As a result, it would appear that any transactions occurring between the current date and the end of 1969 would have to be scrutinized carefully to avoid the possibility of creating an unnecessary tax liability.

The effect of the accumulation of the huge capital gains in 1966 will run its course at the end of 1969 and it appears that after November 1 it might be more judicious to make sales than would be the case in the current year unless sales can be established at definite losses.

A number of potential capital gains, some of them short term, appear likely to occur in 1969 particularly if some real property is sold. Before any further sales or other actions are taken, the tax liability factor should be studied very carefully.

In the short space of time since the hearing on July 16, it has not been possible to accomplish a detailed analysis of the exact tax status for fiscal 1968 and 1969 projected. Any further transactions until such a study has been completed might prove to be self-defeating.

Appendix VIII:

There are no major priority claims that have not yet reached the Receiver or disclosed in this communication. It is believed that no new priority claims can now be asserted other than those in the hands of B. Bernard Greidinger & Company.

Appendix IX:

The jointly owned property of Dorothy and Frederick Tilney consists of three items not including householf furnishings which are clearly delineated to individual ownership. The three items are:

5.86 acres of land on Centre Island colloquiallyknown as the Swamp which had an appraised value by Brady & Company of $25,000 and is believed to have a substantially higher value in the range of $70,000 under present zoning with merely the application of a variance to permit two plots to be developed rather than one under the three-acre zone.

640 shares of Matanuska Valley Bank stock presently held at the Long Island National Bank in Hicksville, with a market value of between $15,000 and $20,000.

Marine Midland Tinker National Bank holds a Governmental Statistical Corporation note which is joint property and which was pledged as collateral for the previously unsecured note to that institution. The value of this note at current market values for the Governmental Statistical Corporation would amount to approximately $79,000.

The three jointly ownership properties have a total value of approximately $170,000. Only the Governmental Statistical Corporation note is specifically hypothecated. The Matanuska Valley Bank stock will be freed when the Governmental Statistical Corporation loan is liquidated at the Long Island National Bank.

Appendix X:

Mr. Tilney has several claims against individuals which should be pressed for collection before the termination of the Receivership. These should produce approximately $5,700.

TILNEY & COMPANY, INC.
47 West Nicholai Street
Hicksville, New York 11801

July 16, 1969

Joseph C. Hogan, Esq.
Receiver for Tilney & Company
and Frederick Tilney
Hogan & Kelleher
40 Wall Street
New York, N. Y.

Dear Mr. Hogan:

Since today the Court will be considering an application of the Tinker National Bank to take a mortgage on Sundown in satisfaction of all of their claims against the Receivership, I have prepared this letter. The figures in the letter will I am sure be supported by both your accountants and ours.

Since the Tinker National Bank has elected to agree to take a second mortgage on Sundown, the main property, as well as the adjacent lots, the figures I had previously prepared had to be scrapped since the lots were not previously included.

In examining this material, the following facts must be borne in mind.

1. Mrs. Tilney and I have always filed joint returns and joint net worth statements. For this reason, it is somewhat difficult to split tax liability at this late date. In filing the net worth statements, I would like for you to remember that they always included <u>both</u> of our obligations to the children.

2. Mrs. Tilney will assert a claim for the middle of the three lots, namely Lots 35 and 26 on the Harbor View Map. In addition, Mrs. Tilney will assert a claim based on gift to her as well as cash contributions by her for major improvements at Sundown in the amount of original cost of $24,000.

3. The note that the Tinker National Bank is offering to withdraw in exchange for the mortgage was a joint note of $100,000, the proceeds of which went directly to the account of Tilney & Company. As a joint note, Mrs. Tilney as limited partner contributed $50,000 to the firm at that moment over and above her limited capital contribution of $2,500.

<u>EXHIBIT A</u>

Under the partnership agreements, it does not appear that this would be an addition to her capital account but would be actually a debit in her favor on the books of Tilney & Company. The amount has increased to $55,000 by the accumulation of interest.

In view of the fact that the note to the Tinker National Bank was a joint note and in view of the fact that they are willing to take a mortgage on property in which Mrs. Tilney has a vested interest both as to her lot to be reduced to fee simple and her interest in the main property, it seems fitting and proper that the Tinker National Bank should withdraw its claim against the Receivership in exchange for a second mortgage on properties which are owned jointly.

Our figures reveal the following basic facts:

Basic cost of Sundown only		$ 98,000
Of this, Mrs. Tilney will claim based on gift from Mr. Tilney's late mother	$ 2,500	
By direct contribution of funds for improvement	21,500	
		24,000
		$ 74,000
Cost to F. Tilney		
By gift from Mr. Tilney's late mother	2,500	
By inheritance of land	20,000	
By inheritance of buildings	22,000	
		44,500
Contributions for improvements		$ 29,500

In the matter of the Harbor View lots, Mr. Tilney acquired Lots 33-34 in 1932 for $1,100 and Lots 37-38 in 1949 for $2,000, a total of $3,100. Mrs. Tilney in 1949 acquired Lots 35-36 for a cost of $2,000.

In the following table is set forth the costs of Sundown for the purpose of computing the capital gains tax and apportioning the share of the proceeds of sale to Mrs. Tilney as her interest would appear.

Basic Cost and Depreciation

	F. Tilney	D. Tilney	Combined
Sundown	$74,000	$24,000	$98,000
Less gift cost deduct	1,500	1,500	3,000
	$72,500	$22,500	$95,000
Less depreciation to 11/1/69	28,644	9 096	37,740
Remaining cost	$43,856	$13,404	$57,260
Lots	3,100	2,000	5,100
Total cost, Sundown and lots	$46,956	$15,404	$62,360

Mrs. Tilney will claim as her share of the net proceeds 25.22% of the net sales price.

In the following table I have worked out the situation on an assumed sale price of $157,000.

Assumed sale at	$157,000
Less selling expense	12,000
Net Sale	$145,000
Less Mortgage	27,000
Net Cash	$118,000
Less Mrs. Tilney's share of balance, 25.22%	29,759
Net cash proceeds to Receiver	$ 88,24 1

The capital gain on the above transaction would be paid either through a joint return or through separate returns in the amount of $81,640.

Since Mrs. Tilney and I have no loss carry forward or carry back, as will be attested to by our accountants, Louis D. Blum & Company, and may have further capital gains due to liquidation, an assumed capital gains tax of between $15,000 and $20,000 would have to be considered. If Mrs. Tilney were to bear 1/4 of this tax, my share would run between $12,000 and $15,000. This would further reduce the amount of cash the Receivership would recover.

Sincerely,

Frederick Tilney

FT/dt

TILNEY & COMPANY, INC.

47 WEST NICHOLAI STREET • HICKSVILLE, NEW YORK 11801
516-681-1717

STATE & MUNICIPAL BONDS
REVENUE BONDS

U.S GOVERNMENT SECURITIES
HOUSING AUTHORITY BONDS

July 21, 1969

Joseph F. Carlino, Esq.
Carlino, Pearsall & Soviero
114 Old Country Road
Mineola, New York 11501

Re: Guardianship of Kathleen C. Tilney,
Dorothy C. Tilney and Frederick Tilney, Jr.

Dear Mr. Carlino:

As Guardian of my three children, I would like to bring to your attention that there will be a hearing at 11:00 A.M. at the Federal Court, Foley Square, New York, N. Y., on Thursday, July 24, 1969, before Judge David N. Edelstein.

During the course of this hearing, the Judge will consider expunging for the purpose of the Receivership only certain notes issued by myself to my three children in the face amount of $130,330 including interest to December 17, 1967, the date of the commencement of the Receivership.

At the same time, I would appreciate your bringing a proposal to the Court to collateralize certain other obligations due my children. Certain stocks of the children were sold in 1967 which resulted in a liability in the children's favor in a total amount of $27,032 as of the date of the Receivership, December 17, 1967.

In addition, I have received advances of funds from the children of the proceeds from the sale of other securities and of cash balances in savings accounts to the total amount of $13,036.

In appraising the assets in the Receivership Estate, there are certain items which I believe are understated as to intrinsic value which we would not wish to see dissipated.

In addition to the funds due the children, Mrs. Tilney is entering a claim against the Receivership Estate in the amount of $61,484.

I would suggest that the children's claims for the stock due them plus cash should be covered by your arranging to accept as collateral for the obligations the following items:

EXHIBIT B

Shares	Item	Valuation by Greidinger & Co., June 30, 1969	Estimated Value	
47,197	City Commerce, Common	$ 7,080	$ 23,598	(1)
$55,844	City Commerce, 7% Debentures, 7/1/71; interest current (accrued interest to date of delivery)	40,000	53,052	(2)
		--	?	
390	Long Island Commercial Review	14,000	38,000	(3)
6,700	Central Alaska Utilities	1,100	12,414	(4)
		$62,180	$128,464	

(1) City Commerce stock was liquidated in the range of 45¢ a share within the last month. Valuation is indicated at 50¢.

(2) City Commerce debentures will be paid in less than two years at par.

(3) Long Island Commercial Review -- this holding represents the second largest block of stock. Mrs. Tilney is the owner of approximately 40% of the outstanding block of convertible debentures as well.

(4) This security has a limited market. The holding is the largest minority block. The two major stockholders are the Tyonek Indian Tribe of Alaska and a former operator of the company. The Tyonek Indian Tribe has assisted in financing the corporation and they have assured me that an impending sale to the Anchorage Borough of the outstanding common shares will be equally treated. Indications are that the sale to the Borough may be in the range of $5.00 to $6.00 a share. For conservatism, I am carrying this security at $2.00 a share on the advice of Anchorage bankers who have some of the stock in collateral loans other than my own. There is a small outstanding loan against myself on this stock which Mrs. Tilney will be prepared to pay off. As noted, the Receiver's auditors are valuing the stock at only the amount of the loan.

Mrs. Tilney will be prepared to take a secondary position in regard to the collateral which the Receiver's auditors have valued at only $62,180 which would be adequate to cover the stock and monies due my children which together total $45,868.

Stock due children per B. Bernard Greidinger, as of 12/17/67	$ 27,832
Funds due by Frederick Tilney from the proceeds of stock sales and savings accounts	18,036
	$ 45,868

The total debt due Mrs. Tilney and the children will amount to $107,352. At the indicated values I have placed on the securities, both Mrs. Tilney and the children would be covered by the existing values of $128,464.

I am particularly anxious that the children's stock position valued at market, $27,832 on December 17, 1967, be returned to them in kind. As custodian for the children, we did not sell the stock for them and must return the securities in kind to avoid a serious income tax liability. The securities sold, as you will note from your files, involved Tinker National Bank, now converted into Marine Midland Tinker National Bank, and shares of the Long Island National Bank, still an independent bank.

Through collateralization, at the close of the Receivership I am sure that I will be able to return the specific securities to the children's accounts in kind rather than in funds, leaving them in exactly the same position as they were before the securities were sold with their cost values returning to the cost of the donors, Mrs. Tilney and myself, by whom the securities were not received by gift. The same situation would pertain to a è small blocks of other securities sold included in the debit figure of $18,036.

Respectfully,

Frederick Tilney

FT/dt

TILNEY & COMPANY, INC.

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STATE & MUNICIPAL BONDS
REVENUE BONDS

U.S. GOVERNMENT SECURITIES
HOUSING AUTHORITY BONDS

July 21, 1969

Joseph C. Hogan, Esq.
Receiver for Tilney & Company
and Frederick Tilney
Hogan & Kelleher
40 Wall Street
New York, N. Y. 10005

Dear Mr. Hogan:

In connection with the final closing of the Receivership of Tilney & Company and my husband, I would like at this time to assert certain claims against you as Receiver on behalf of myself both as an individual and as a limited partner of Tilney & Company.

I have due and payable to me $55,000 (not included in the B. Bernard Greidinger & Company report) not involved with my limited partnership account which represents funds advanced by me in the amount of $50,000, the proceeds of a joint loan of Mr. Tilney and myself made with the Tinker National Bank and at that time unsecured. The proceeds of this loan were contributed directly to Tilney & Company's account. Subsequently I joined Mr. Tilney in putting up as collateral notes in the face amount of $130,000 of Governmental Statistical Corporation in which I have a half interest, said notes being dated July 1, 1966.

At this time, I would also like to enter my claim for $2,500, not included in B. Bernard Greidinger & Company's report, indicating my limited partnership capital, as well as $2,040 due me, as attested by the records of B. Bernard Greidinger & Company in their report of June 30, 1969, specifically noted in Exhibit A, Part II, thereof.

In addition, I would like at this time to have you note on your records that over the years I contributed $21,500 to improvements to our property at Sundown and have received by gift from my late mother-in-law an interest in the cottage, which was my first home when I was married, in the amount of $2,500. In addition, I provided funds for the purchase of Lots 35-36, Section 28, Block 57, a parcel of land adjacent to our home in the development known as Harbor View. I have always paid the taxes on this property individually over the years. These lots with two adjacent lots, Lots 33-34 and 37-38, are to be included in a second mortgage in which I am joining my husband in signing the bond, note and mortgage in favor the Marine Midland Tinker National Bank. I have also paid improvement assessments to the Harbor View Association on my lots.

EXHIBIT C 278

In addition, I would like to claim at this time the appreciation of the value of the property known as Sundown and the three adjacent lots of which I own one lot of three on the basis of the valuation established by B. Bernard Greidinger & Company in their report, Exhibit A, Part I, in the amount of $152,000. The base cost of this property to Mr. Tilney and myself without regard to depreciation was $103,100 including the cost of the three lots. The appreciation based on the figure established in the Greidinger report represents 47.43%. Applied to my total cost of $26,000, this would result in an additional claim against the Receivership of $12,332 in event of the sale of Sundown at $152,000.

Summarizing this claim, I am now asking for consideration as follows:

$ 55,000	Advanced to Tilney & Company
2,500	My limited partnership interest
2,040	Advanced to the Receivership
26,000	My cost in the property to be mortgaged to Marine Midland Tinker National Bank
12,332	Appreciation in the real estate to be mortgaged
$ 97,872	

In addition to the foregoing, I wish to assert claim for monies advanced to liquidate commercial accounts of my husband as covered in Schedule I in a letter addressed to you from Tilney & Company dated July 15, 1969. These payments amount to $1,508.55. I also wish to assert a claim in the amount of $435.74 covering part of a bill from Dr. Mara on which Dr. Mara is claiming $1,080.74 (see Schedule II of Tilney & Company's letter to yourself of July 15, 1969). The total amount of my assertible claim would, therefore, be $99,817.

Not included in this letter of claims are furniture, objects of art, silver and similar assets located in our home, Sundown, to which I am asserting title. Since it appears that the Estate will net out 100¢ on the dollar, I did not wish to burden the Court with a detailed accounting of these items which are really of a personal nature.

According to my records, I am not in debt to the firm of Tilney & Company or my husband, Frederick Tilney, in any manner other than in the matter of a certain legal bill for expenses and fees rendered by Messrs. Miller, Montgomery & Spaulding in a joint action which we are taking against the Long Island Rail Road. Since I understand this bill is not being presented as a claim against the Receivership Estate, I am merely recording acknowledgment of my half liability therein. The amount of this bill including printing charges as of December 17, 1967, is $5,084.83.

There are certain securities of which you are aware as Receiver that were pledged by myself as additional collateral for a loan of Tilney & Company or as a third party guarantor for loans of Tilney & Company and the Governmental Statistical Corporation at the Long Island National Bank. These securities

I understand will be returned to me by the bank as soon as the secured loan of Governmental Statistical Corporation in the amount of $62,000 is liquidated. I have instructed the bank to retain these securities for my interest. One of the items held by the Long Island National Bank is 640 shares of Matanuska Valley Bank stock issued in our joint names.

In this connection, you are also aware that Mr. Tilney and I own a certain joint piece of real property on Centre Island in addition to our home. This property is not entailed in the Receivership because of its type of ownership.

At th is time, it is not my intention to assert my claim in connection with my interest in Sundown and the adjacent lots thereto which I have valued at $38,332 as previously noted. This claim is not being asserted since I am placing this property willingly under a second mortgage in favor of the Marine Midland Tinker National Bank which advanced my husband and myself jointly $50,000 apiece to bolster Tilney & Company's position. However, I am claiming the balance of the items in the total amount of $ 61,484.

In conjunction with collateralization of obligations due my children, I am prepared to accept collateralization to cover $61,484 and I am so notifying the guardian of my children.

Very truly yours,

(Mrs. Frederick Tilney)

dt

cc: Edward J. Gunnigle, Esq., Marine Midland Tinker National Bank
Mr. James Dinkelacker, Long Island National Bank
Robert G. Benisch, Esq.
Joseph F. Carlino, Esq.
Terence Gilheany, Esq., Cadwalader, Wickersham & Taft

TILNEY & COMPANY, INC.

47 WEST NICHOLAI STREET • HICKSVILLE, NEW YORK 11801
516-681-1717

STATE & MUNICIPAL BONDS
REVENUE BONDS

U.S. GOVERNMENT SECURITIES
HOUSING AUTHORITY BONDS

July 15, 1969

Joseph C. Hogan, Esq.
Receiver for Tilney & Company
and Frederick Tilney
Hogan & Kelleher
40 Wall Street
New York, N. Y. 10005

Dear Mr. Hogan:

As requested, I am submitting our view of the position of the Receivership Estate of Tilney & Company. In this study, I am only referring to the liabilities of Frederick Tilney insofar as you have received claims against me personally and for a small list of claims which might be filed on the same basis as those you have already received.

Actually Tilney & Company, the partnership, including the contributed capital of myself as the general partner was and still is able to meet all of its obligations in full without reference to my personal assets outside the firm. I have repeatedly made this position clear in all statements filed.

I am listing below the current liquid assets of Tilney & Company projected to August 15, 1969, when proposed temporary investments will mature.

Manufacturers Hanover Trust Company, C.D. due 7/14/69	$180,000.00
Cash balance 5/28/69	14,165.45
Sales: 23,000 City Commerce @ 45¢	10,350.00
July 1 interest from City Commerce	1,954.54
C.D. interest, 7/14/69	5,625.00
Cash balance, Long Island National Bank	33,539.25
Income, 7/14 - 8/15, $200,000 @ 7 1/2%	1,250.00
Dorothy M. Tilney, Stevenson loan	750.00
	$247,634.24
Less real estate taxes due Dorothy Tilney	662.51
Net cash available 8/15/69	$246,971.73

In addition to the cash indicated above, it is my belief that the slightly less than 800 shares of Waddington Bank stock which will be auctioned off by the Court depending somewhat, of course, upon market

EXHIBIT D

conditions should bring the Estate an additional $40,000, raising the total available for distribution to just short of $300,000.

In addition to this figure, Tilney & Company will retain the following securities with current market values indicated:

Shares		Market	Basis	Value
47,193	City Commerce Corp.	45¢	--	$ 21,236.85
$55,844	City Commerce Corp. debentures Plus accrued interest to 9/1/69	95 --	10.00% --	53,051.80 651.33
100	Florida Capital Corp.	7 1/4	--	700.00
1	Pan American Airways	16		16.00
3.203.8	Matanuska Valley Bank, Palmer	30		96,114.00
				$171,769.98

In addition to the foregoing securities, the Receiver will have in hand as the property of Tilney & Company the following:

$70,000 of Sinking Fund Notes of Governmental Statistical Corporation, interest of June 1, 1968 and subsequent coupons past due, as well as $500,000 of general obligation notes of the same corporation dated July 1, 1966. A credit to the receivership was given to Governmental Statistical Corporation on these notes in the amount of $40,000 in the matter of the Nome settlement which would reduce the face total of the combined issues to $530,000.. It is estimated that these notes have a value of not less than 50¢ on the dollar.

Liquidating value of Governmental Statistical notes $265,000.00

On the basis of the projections above and assuming the sale of the Waddington Bank stock at $40,000, the Receivership should have in cash $286,000 by mid-August.

Attached hereto is a schedule of liabilities of Tilney & Company as of the close of business July 14, 1969. It will be noted that the filed claims have been reduced from the amount indicated and it is believed that these reductions can be substantiated. The claims not yet filed which will require cash distribution are limited.

I have assumed that the family accounts will be covered by the remaining security assets of Tilney & Company which as previously noted have a value of $171,769.98 exclusive of the Governmental Statistical Corporation notes with a value of $265,000. The amounts required to meet cash claims will be limited to the following:

Claims to be allowed (sum of Schedules A, B and H)	$212,307.53
Claims to be allowed under Schedules C, G and I	13,382.71
Expenses of administration, Schedule J	49,810.00
	$275,500.24

As you know, I did not favor the settlement that was made with D. Raymond Kenney, feeling that we dropped about $30,000 on a cash basis and further I felt that the sale of the Matinecock stock which was in effect balancing control stock was precipitate and cost the estate in excess of $100,000. I am intending to take steps to rectify both of these situations which will further add to the value of the estate. These steps, however, will be taken after the Receivership. There are several other items of litigation, as you know, that we intend to press for the benefit of Tilney & Company but these are of no concern to the matter at hand. Without the benefit of any recoveries from these items, Tilney & Company is, was and always has been able to meet its obligations. This communication quite clearly indicates this fact.

I was informed today that Hon. Joseph F. Carlino has been officially appointed by our Surrogate, Hon. John Bennett, to serve as guardian for my minor children in adjudicating my affairs with them. I am inclined to believe that he will be well disposed to follow the program outlined.

Mrs. Tilney will be present at the hearing on the 16th to express her views as to her desires as a major creditor as to the proceedings of this Receivership.

At this time I would like to recommend that on all settled and approved claims other than those of the family, a cash distribution of not less than 50% of the approved claims be made no later than August 15, 1969.

Very truly yours,

Frederick Tilney

FT/dt

cc: Robert G. Benisch, Esq.
B. Bernard Greidinger & Co.

LIABILITIES OF TILNEY & COMPANY AS OF JULY 14, 1969

with reference to certain personal liabilities of Frederick Tilney on which claims have been or could be filed against the Receivership.

The various claims are divided into ten Schedules, lettered A through J. Schedules A, B, and H cover currently filed claims and indicate the face amount of the claims as well as the amount that should be allowed. Schedules C, D, E, F, G, and I cover outstanding liabilities on which claims have not been received. Schedule J includes the estimated costs of administration.

Schedule	Liabilities	Face Amounts	To Be Allowed
A	Customers Claims Filed to 7-14-69	$ 180,364.61	$ 160,948.73
B	Commercial Claims Filed	65,532.45	38,690.39
		245,896.06	199,639.12
H	Claims against F. Tilney personally	13,166.91	12,668.41
		259,062.97	212,307.53
		Per Greidinger	**To Be Allowed**
C	Customers Claims Not Filed	$ 10,802.27	$ 7,666.28
D	Family Accounts	28,279.69	121,420.60
E	Due Brokers	3,104.91	—
F	Limited Partners Interest	2,500.00	2,500.00
G	Commercial Accounts	5,515.40	3,209.62
I	Claims against F. Tilney personally	7,645.64	2,506.81
		57,937.91	137,303.31
J	Expenses of administration	$ 64,135.00	$ 49,810.00

CUSTOMERS OF TILNEY & COMPANY
CLAIMS RECEIVED

SCHEDULE A

No. Claim	Date Rec'd		Customer	Amount Claimed	To Be Allowed
2	12-27-68	TC-50	Joanne & Edward Hollier	$ 2,642.00	$ 2,642.00
4	12-31-68	TC-111	Glen & Susan J. Talley	21,130.99	15,631.75
5	12-31-68	TC-100	Jose M. Romano	652.50	652.50
7	1-2-69	TC-15	Horst Seitter	496.29	496.29
8	1-2-69	TC-88	Cleil & Mildred Prewitt	6,750.00	5,273.00
11	1-3-69	TC-59	Gene Lanzaro	10,181.15	10,181.15
12	1-6-69	TC-96	Rachel V. Robertson	668.94	668.94
13	1-6-69	TC-101	Frances & Alfred B. Roney	820.00	820.00
17	1-7-69	TC-29	Walter L. Clark	102.40	102.40
18	1-7-69	TC-21	Floyd H. Boyster	4,603.26	-0-
19	1-7-69	TC-12	ACF Michael Bennett	1,030.01	1,030.01
20	1-7-69	TC-11	Albert Edward & M. E. Bennett	1,132.00	1,132.00
21	1-7-69	TC-39	Frank R. & Marie J. Foley	2,066.75	2,066.75
22	1-7-69	TC-22	George G. Brooks	1,230.85	1,230.85
24	1-7-69	TC-64	Thomas R. Marshall Jr.	2,531.25	2,531.25
25	1-7-69	TC-40	Kenneth Fox	1,687.25	1,687.25
28	1-8-69	TC-118	Faye E. & Nancy Troy	504.00	504.00
29	1-13-69	TC-46	Charles & Lucille Hardenbrook	2,587.50	2,097.00
30	1-13-69	TC-66	Lt. Col. Theodore J. Meiners	2,403.50	2,403.50
31	1-13-69	TC-79	Morris H. & Orlean L. Nelson	375.00	375.00
33	1-13-69	TC-3	Allan W. Alvin	1,994.88	1,994.88
35	1-13-69	TC-31	Edward & Phoebe Newbury	828.25	828.25
37	1-16-69	TC-35	Ralph P. DeVilbiss	3,780.25	3,730.25
38	1-16-69	TC-8	James & Kathleen Balistreri	817.13	817.13
39	1-21-69	TC-41	Clement & Joanne Gill	891.38	891.39
40	1-21-69	TC-17	John K. Bishop	1,154.10	1,154.10
41	1-21-69	TC-42	James J. Goodfellow	461.00	461.00
42	1-21-69	TC-86	Palmer Peterson	190.00	190.00
44	1-21-69	TC-19	Charles W. Booher, Jr.	1,532.00	1,532.00
45	1-21-69	TC-102	Kenneth & Ruth E. Countree	1,267.75	1,267.75
47	1-21-69	TC-91	William & Kathleen Radentz	3,281.94	3,281.94
48	1-21-69	TC-93	Jean M. Rietze	3,054.75	2,953.00
49	1-21-69	TC-92	Daniel W. Rietze	3,521.15	3,499.00
50	1-22-69	TC-123	Gerald & Jacqueline Watkins	1,010.50	1,010.50
51	1-22-69	TC-122	Harold & Beryl Walthers	10,104.94	10,104.94
52	1-27-69	TC-105	Harry Schiuy	1,133.00	1,133.00
53	1-27-69	TC-109	Joseph & Cynthia Steiner	905.50	905.50
54	1-27-69	TC-126	Roland & Ellen Willequer	900.00	900.00
55	1-27-69	TC-128	Jerry L. Winn	6,001.50	6,001.50
56	1-27-69	TC-9	John & Carol Banta	1,972.88	1,972.88
57	1-27-69	TC-127	Merle E. Williams	1,341.25	1,312.50
58	1-28-69	TC-104	Lawrence Saunders	1,550.69	1,550.69
59	1-28-69	TC-27	James & Betty Carman	1,281.16	-0-
60	1-29-69	TC-53	William & Bobbi Hubbard	4,010.25	4,010.25
61	1-29-69	TC-124	William & Ida Weimer	574.75	574.75
62	1-29-69	TC-87	Elmer & Sharon Potter	1,161.13	1,161.13
63	1-30-69	TC-85	Agnes M. Palik	473.25	473.25
64	2-3-69	TC-63	James & Maria Malone	370.80	370.80
65	2-3-69	TC-130	John Xetheis	2,548.75	2,548.75
67	2-5-69	TC-50	Edward & Joanna Hollier	2,642.00	-0-
68	2-5-69	TC-109	Vitalis & Waltraud Svazas	1,048.16	1,048.16

CUSTOMERS OF TILNEY & COMPANY
CLAIMS RECEIVED

No. Claim	Date Rec'd		Customer	Amount Claimed	To Be Allowed
69	2-6-69	TC-129	August Moeltz	$ 2,207.00	$ 2,207.00
72	2-19-69	TC-89	Charles & Luella Pugh	5,645.00	4,560.00
73	2-19-69	TC-82	David C. Morton	100.75	40.44
74	2-19-69	TC-14	Edward & Ellen Beyers	569.50	569.50
75	2-19-69	TC-81	Edward & Phoebe Newbury	1,050.00	-0-
76	2-28-69	TC-94	Billy & Jeannette Rimes	425.25	425.25
77	2-28-69	TC-95	A/C/F Angelo Rimes	912.50	888.00
	3-3-69		letter from Gene Lanzaro	—	—
79	3-7-69	TC-2	Earl & Eva Allen	1,190.67	1,190.67
80	3-7-69	TC-24	Laverne & Thelma Buller	206.25	206.25
82	3-11-69	TC-38	Andrew Eker	638.25	638.25
85	3-24-69	TC-30	Ralph Clukey	747.00	747.00
86	3-27-69	TC-90	Barbara Putnam	112.50	112.50
87	3-27-69	TC-55	Clarence Jeffers	17,674.00	17,674.00
89	3-28-69	TC-57	L. S. Kurtz, Jr.	713.50	713.50
91	3-28-69	TC-69	Royce & Ann Morgan	1,001.66	1,001.66
92	3-28-69	TC-69	Royce & Ann Morgan	985.93	985.93
93	3-28-69	TC-73	A/C/F Royce Townley Morgan	308.33	308.33
94	3-28-69	TC-70	A/C/F Philip Morgan	308.33	308.33
95	3-28-69	TC-72	A/C/F Peggy Morgan	308.33	308.33
96	3-28-69	TC-71	A/C/F Mary Ann Morgan	308.33	308.33
97	4-9-69	TC-59	Gene Lanzaro	10,181.15	10,181.15
98		TC-43	Francis & Fidelis Grant	1,985.26	1,945.00
101		TC-36	Tommy L. Dome	113.00	113.00
103		TC-44	Alfred & Patricia Gronnestad	583.75	583.75
104		TC-78	Donald Nash	1,398.75	1,398.75
105		TC-77	Diane Nash	2,765.00	2,765.00
106		TC-110	A/C/F Danny Swiderski	989.25	989.25
108		TC-31	Jerry Coleman	494.64	494.64
				$180,364.61	$160,948.73

SCHEDULE B

No. Claim	Date Rec'd		Name	Amount Claimed	To Be Allowed	
1	12-26-68		Blue List Publishing Co.	370.44	-0-	*
9	1-2-69	TCX-6	Cadwalader Wickersham & Taft	14,935.69	5,000.00	*
10	1-3-69	TCX-4	Louis D. Blum & Co.	12,272.03	5,000.00	*
32	1-13-69	TCX-5	Bridge Auto Service	495.74	299.05	*
36	1-16-69	TCX-19	Remington Rand	288.23	288.23	
43	1-21-69	TCX-9	Alaska Communication A.F.	10,956.07	5,000.00	**
46	1-21-69	TCX-7	Chase Office Supplies	97.31	80.19	*
78	3-3-69	TCX-22	Dun & Bradstreet	150.00	150.00	
81	3-11-69	TCX-23	Internal Revenue	3,785.38	2,600.00	***
90	3-28-69	TCX-1	American Tel. & Tel.	3,765.38	2,207.80	*
99		TCX-10	First National City Bank	10,698.49	10,698.49	
102		TCX-13	Irving Trust	7,366.63	7,366.63	
107			N.Y. Dept. Labor, Unemployment	450.06	-0-	**
				$65,532.45	$38,690.39	

CUSTOMERS OF TILNEY & COMPANY
CLAIMS NOT RECEIVED AS OF 7/14/69

SCHEDULE C

T&Co Acct. #	Customer	B. Greidinger Figures, 12/17/67	Established Claims to be Allowed
4	Andreis	$ 31.65	$ 9.98
5	Archer	180.63	125.00
6	Archer, G & J	234.81	150.00
10	Belmont	19.50	19.50
13	Bettis	14.00	14.00
16	Bills	172.50	112.00
18	Bissell	.30	.00
20	Bowman	2.50	2.50
23	Brown	28.60	28.60
25	Caffrey	656.13	656.13
26	Campbell	509.25	509.25
28	Chinn	2.50	2.50
32	Cowan	7.80	7.80
33	Dedrich	54.19	54.19
32	DeGarmo	679.00	-0- **
37	Edwards	669.74	669.74
45	Hall	298.00	-0- **
48	Helle	30.00	30.00
47	Hendrickson for Barbara	3.00	3.00
47A	Hendrickson, Lucille	6.00	6.00
51	Horton	641.50	273.00
52	Horton, Cust.	625.00	312.00
54	Janovitz	3.75	3.75
56	Koenig	450.00	450.00
58	LaCaze	1.00	1.00
60	Lauster	3.00	3.00
61	Luce	3.25	3.25
62	MacDonald	6.25	6.25
65	Maytum	354.00	354.00
67	Meyers	6.00	6.00
68	Monroe	12.00	12.00
76	Molitor	1.75	1.75
74	Mortensen	993.45	993.45
76	Musick	4.68	4.68
80	Nelson, R & L	13.50	13.50
83	O'Brien	5.00	5.00
84	Pace	68.75	68.75
97	Rodgers	46.00	-0-
98	Roetman	126.70	126.70
98A	Roetman	656.13	656.13
99	Roetman as custodian	126.70	126.70
103	Sassara	1,298.88	-0- *
106	Smith, Jerry P.	2.25	2.25
107	Smith, Wm. & Thetus	2.50	2.50
117	Tingcang	8.75	8.75
112	Teeuwen	462.00	462.00

SCHEDULE C (cont'd.)

CUSTOMERS OF TILNEY & COMPANY
CLAIMS NOT RECEIVED AS OF 7/14/69

T & Co. Acct. No.	Customer	B. Greidinger Figures, 12/17/67	Established Claim to be Allowed
119	Van Eykeren	$ 1,257.25	$ 1,257.25
120	Walker	10.63	10.63
121	Walters	97.50	97.50
125	Welsh	3.50	3.50
		$ 10,392.27	$ 7,666.28

* To be offset by larger debt due to F. Tilney.
** Securities bought but not paid for and never delivered, 8/9/67.

SCHEDULE D

FAMILY ACCOUNTS OF THE GENERAL PARTNER

113	Est. of Camilla Tilney	680.00	680.00
114	Dorothy C. Tilney	5,945.82	16,756.07 *
115	Frederick Tilney, Jr.	5,992.05	13,360.75 *
116	Kathleen G. Tilney	15,661.82	35,623.78 *
--	Dorothy M. Tilney	--	55,000.00 **
		$28,279.69	$121,420.60

* Market value as of April 1, 1969. Dividends and accrued interest not added after that date.

** Liability on joint note contributed directly to Tilney & Company plus interest; not a portion of limited partner's capital account.

SCHEDULE E

Due Brokers

	B. Greidinger & Co. 5/31/68
Francis I. duPont & Co.	$3,104.91

This account will be entirely covered by 25 shares of Pan American World Airways due Tilney & Company by LeRoy Holem of Anchorage and by monies taken improperly by Herbert L. Rice of Anchorage. A claim has been asserted against Tilney & Company's surety bond in this matter if collection cannot be made from the other two sources. Francis I. duPont may also have a liability in this matter. No claim can be asserted against the receivership in any case.

SCHEDULE F

Due Limited Partner

Dorothy M. Tilney, as limited partner $2,500.00 principal amount.

SCHEDULE G

Commercial Claims not received as of July 14, 1969

Acct. No.	Name	Per B. Greidinger	To Be Allowed	
TCX-2	City of Anchorage	$ 32.28	--	(1)
TCX-3	Appeal Printing Co.	26.25	--	(2)
TCX-8	City Commerce Corp.	135.52	--	(3)
TCX-11	Friden, Inc.	12.34	12.34	
--	Daytimers	9.66	--	(4)
TCX-12	Gustave Fielitz, Inc.	53.55	53.55	
TCX-14	L.I. Commercial Review	2,532.44	2,207.80	(5)
TCX-15	Moody's	497.70	--	(6)
TCX-16	National Quotation Bureau	607.95	--	(6)
TCX-17	Nordam Cleaning Contractors	120.00	120.00	
TCX-18	Prudden's Digest	50.00	--	(6)
TCS-20	Standard & Poor's	20.10	--	(6)
TCX-21	Xerox Corp.	1,222.46	800.00	(7)
	First National City Bank	4.70	4.70	
	Remington Rand	11.23	11.23	
	Wall Street Journal	26.00	--	(6)
	Wesley Associates	116.52	--	(6)
	Journal of Commerce	32.00	--	(6)
	Merrill, Lynch	4.70	--	(2)
		$5,515.40	$3,209.62	

(1) No subsequent bills have been received in this matter.

(2) This item cannot be identified as a liability of Tilney & Company.

(3) All obligations due City Commerce have been liquidated by the withholding of a semi-annual interest payment on the Debentures of that organization, the property of Tilney & Company. A balance of $164.00 is payable on that check which was rejected by Mr. Harris.

(4) Obligation of another, not Tilney & Company.

(5) Claim reduced to face amount without interest.

(6) Publications that will not press claims or have waived same.

(7) The Xerox Corporation bill should be contested and settled at the indicated figure.

Schedule H

FREDERICK TILNEY - PERSONAL CLAIMS RECEIVED

Claim No.	Date Rec'd		Name		Amount Claimed & To Be Allowed
3	12-31-68	FT-33	A. Mirabito	(1)	$ 2,270.96
6	12-31-68	FT-37	Our Hobby Market		6,558.48
14	1-6-69	FT-20	Drs. Harer & Cooper	(1)	35.50
15	1-7-69	FT-11	Village of Centre Island		93.17
16	1-7-69	FT-21	Highland Farms		279.57
23	1-7-69	FT-17	Doubleday Book Shops	(1)	65.50
26			Hall & Casey		670.00
27			Lewis Fuel (Wm. Kane)		1,129.93
34	1-13-69	FT-49	E. P. Hyde (Tiffany)	(1)	169.32
66	2-3-69		Tinker Bank		To Be Withdrawn
70	2-18-69	FT-23	Hotine Bros.		327.42
71	2-18-69	FT-48	Shore Laundries		70.64
83	3-18-69	FT-4	Bayville Hardware		126.97
84	3-24-69	FT-47A	State Tax Commission	(2)	207.11
100		FT-51	Irene Hayes (Wadley & Smyth)		81.55
109			Dr. Mara	(3)	1,080.74
					$13,166.91

(1) Bills incurred after 12-17-67

Less:	Doubleday	$ 55.00	
	Dr. Harer	20.50	
	A. Mirabito	46.57	
	Hyde (Tiffany)	169.32	291.39
			12,875.52

(2) Protest

Less:	State Tax Commission	207.11
	NET DUE	$12,668.41

(3) Dr. Mara's bill

Mrs. Tilney has paid $435.74 of this amount and will claim it.

SCHEDULE I

Obligations of Frederick Tilney as of the Opening of Business 12/18/67 for which Claims have not been Submitted

Mrs. Dorothy M. Tilney has paid a number of these items and will claim these on a consolidated claim form for the total amount due her. This list is current through the close of business July 14, 1969. All items previously listed that have been reduced to claims are eliminated.

	Due 12/18/67	Paid Prior to 7/14/69 by Dorothy M. Tilney
B. Altman	$ 49.98	$ 49.98
Bayville Limousine	15.00	15.00
Bergdorf Goodman	30.60	30.60
Bonwit Teller	100.47	--
Dr. Boyd	80.00	--
E. Brooks Insurance	95.50	95.50
Community Hospital	16.25	16.25
Coombs & Oliver	107.15	--
Country Lady	57.53	57.53
Court Press	468.74 *	--
Dr. Miner Hill.	91.00	91.00
Don Jarvis	200.00	200.00
L.I. Lighting	93.94	93.94
Lord & Taylor	118.83	118.83
Merdon Carpet	260.10	260.10
Meyerwitz	107.50	--
Miller, Montgomery & Spaulding	4,616.09 *	--
Mobmans	11.91	11.91
Oyster Bay Glass Works	2.04	2.04
Park East Fish Market	77.50	--
Pyrofax Gas	27.58	27.58
Razzano Shoes	11.03	11.03
Renken Dairy	21.24	21.24
St. Anthony Club	94.50	--
Seawanhaka Yacht Club	258.96	258.96
Smith Jewelers	28.56	28.56
Snouders Drug Store	190.79	100.00
Village Cleaners	394.35	--
Watson & Klinge	18.45	18.45
	$7,645.64	$1,508.55

* Miller, Montgomery & Spaulding were retained to defend Mr. and Mrs. Tilney on a charge of fare beating brought by the L.I. Rail Road. On this charge, they were exonerated and the case dismissed. The event occurred in May of 1966. Subsequently Mr. and Mrs. Tilney sued the Trainsmens Union, the cause of the incident, and the L.I.R.R. (L.T.A.). The case against the Union was lost although taken to the Court

Appellate Division of the Supreme Court, where the case was again lost. The action against the railroad is still pending and it is anticipated that pre-trial hearings already held will be completed with documentation prior to trial.

Miller, Montgomery & Spauling have kindly deferred filing a claim which would be of necessity a joint claim against Mr. and Mrs. Tilney. Since the receivership can be closed speedily, Miller, Montgomery & Spauling would probably agree not to file a claim against the receiver. On this basis, the total claims that could be filed against Mr. Tilney personally are limited to $2,560.81 of which Mrs. Tilney has paid $ 1,508.55.

The Court Press represents printing in this matter and has been paid by Miller, Montgomery & Spaulding.

This litigation has extended over a period of three years and some additional costs have been incurred since the date of the receivership.

SCHEDULE J

ESTIMATED EXPENSES OF ADMINISTRATION - 18 1/2 MONTHS

		To Be Allowed
Funds advanced by Kathleen G. Tilney	$ 435.00	$ 435.00
Funds advanced by Dorothy C. Tilney	1,200.00	1,200.00
Louis D. Blum & Company	6,825.00	4,500.00
Frederick Tilney, out of pocket expenses	950.00	950.00
Dorothy M. Tilney, out of pocket expenses	475.00	475.00
B. Bernard Greidinger & Co.	15,500.00	15,500.00
Wagner, Quillinan & Tenant, Esqs.	16,000.00	16,000.00
Joseph C. Hogan, Esq.	10,000.00	10,000.00
I. Alan Harris, Esq.	12,000.00	--
Burr, Pease & Kurtz	250.00	250.00
Miscellaneous fees, etc.	500.00	500.00
	$64,135.00	$49,810.00

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK [1]

- - - -

APPEARANCES:

EDWARD J. GUNNIGLE, ESQ.,
Attorney for Marine Midland-Tinker
National Bank.

JOSEPH C. HOGAN, ESQ.
I. ALAN HARRIS, ESQ.,
Receivers.

ALSO PRESENT:

Mr. Frederick Tilney
Mrs. Dorothy Tilney
Mr. B. Bernard Greidinger
Mr. Jerry B. Klein

MR. HARRIS: No, not yet.

THE COURT: When the securities are turned over, what is the estate going to give in return at this moment?

MR. HARRIS: Just a counter signature on this letter. It is an agreement to pay the $39,000.

THE COURT: I don't see any objection to that. What do you say, Mr. Overton?

MR. OVERTON: Your Honor, apparently these shares had a value to Mr. Studley, and I also take it from what Mr. Hogan said at our prior meeting a value of approximately $67 a share to a trader at Blyth & Company. I would respectfully submit that we auction the shares at an upset price of $50. If the price does not go above $50 and Mr. Studley desires to retain them that would be satisfactory, but we would have, one, the cleansing effect of an auction to the extent that we have challenged or felt that there is some cloud on the transaction. If we were to receive a greater figure than 50, Mr. Studley would receive back his investment of $50 per share and the estate, assuming -- and I am basing the assumption on previous valuation shown by

another transaction -- if it was sold at 50 the estate would get $50 or above. So in effect, in response to the Court's question, I am respectfully suggesting there be an auction starting at $50 per share.

THE COURT: I would certainly think favorably of that and I have thought about it, but I think before we can establish an upset price we would have to have some indication that Mr. Studley and/or the trader are prepared to take the stock in for the original prices because unless we had some firm understanding from them, it is conceivable that starting the stock off at the upset price of $50 and nothing coming in by way of a bid for more than that, that we would find that the sale was fruitless and we would still be left with the stock and just have to pay out a check for the expenses of the auction. So before I am prepared to say that we have an upset price, I would like to have some firm indication that either the trader or Mr. Studley would give us the prices that they originally placed on the security. Do you understand what I mean?

MR. ORNSTEIN: I see the Court's reasoning.

However, I did add this other proviso or thought, and that was that -- this of course would have to be agreeable to all the parties and it would have to be agreeable to Mr. Studley -- that we auction the shares and if we do not get the price then we do not rescind, there would be no rescission, because rescission is a specific legal term having a specific meaning, but I don't think that the best interests of the estate -- and without sounding presumptuous -- I don't think the Court necessarily wants rescission qua rescission but some way we can establish that we had complete fairness here, and I think this would show complete fairness and at the same time we would not diminish the value which would come into the estate and it would not therefore be necessary to receive a firm commitment from the man with whom Mr. Hogan dealt at Blyth or the man to whom Mr. Harris had sold the stock.

MR. HOGAN: Perhaps Mr. Harris could get an amendment that he would agree to.

MR. HARRIS: Your Honor, if you recall the hearing the last time, the desire was to, short of long, elaborate proceedings, obtain the stock back for the estate. You yourself today indicated

I am referring now to the receivers' appraisal and the appraisal of Marine Midland.

MR. ORMSTEN: Right.

MR. BENISCH: Those two appraisals do not cover the same property. The appraisal of Marine Midland which was submitted, and which will be the subject of a proposal by Mr. Gunnigle, covers the property known as Sundown, the residence, plus the three adjacent lots. Our appraisal is only of the property known as Sundown, exclusive of the three adjacent lots.

THE COURT: Perhaps it will help you if I refresh your recollection about this current appraisal. We had had an earlier appraisal from Mr. Brady. I was dissatisfied with that appraisal because it was conclusory. I didn't know what theory and what formula he utilized in reaching his appraisal. You know in the field of condemnation there are different formulae which apply. I was insistent that we get an appraisal from Mr. Brady which would delineate and finally set out how he arrived at his conclusions.

MR. ORMSTEN: In light of what Mr. Benisch has said, I would wait for Mr. Gunnigle to

make his proposal.

The last has to do with the receivership expenses, that is, the administration expenses. I am aware that we are still in process here and therefore it is not possible to state with apodictic certainty there is going to be X amount of dollars which will be the administration expenses, but, your Honor, it would seem to me that we have reached a point where there are so many factors that are interrelated that if we have to work with an unknown we will be unduly delayed, in a sense, because I would say if we were to allow, for example, the claim of Marine Midland-- I'm sorry -- the proposal of Marine Midland wherein they would take the property in release of their claim and then find at a slightly later stage there were insufficient funds to pay the public creditors, that is, the investors, because of a certain amount which was charged to administrative expenses, we would end up in part with an inequitable settlement. So I will address my question to the receiver, Mr. Hogan, and ask him if he can begin to think in terms of an interim estimate of administrative expenses,

because I think the more figures we have the better able we will be to make decisions as to each of the individual matters and perhaps wind up the estate. I don't want to press them hastily or unfairly, but I think that would come to to be an essential figure soon.

THE COURT: I don't think an interim statement would be out of order. Do you?

MR. HOGAN: No. We have discussed it. Mr. Harris and I have discussed it recently, and I think we are in a position where we could submit an interim statement. I discussed it with Mr. Benisch and also Dr. Graidinger.

THE COURT: I would also suggest for the purposes of the Court and the SEC that when you make that interim rendering you follow some of the decisions in that area which have been fairly numerous in the last few years, and that might give you some guidelines and clues about how to go about it in structuring and setting up the fees you would claim on an interim basis and would also establish some guidelines of what we can expect in the future. We have had any number of decisions both on the Court of Appeals level and

certainly in the District Court and even in the referee's jurisdiction. I think the standards are pretty clear today. Wouldn't you agree with me?

MR. ORNSTEN: There is law on it, certainly; if not always in an equity sense then in a bankruptcy sense.

THE COURT: Then of course if the SEC has any objection they will indicate their objection. Their prime duty, as I have stated very often and repeatedly, is to protect the public, and in this case the creditors.

MR. BENISCH: Your Honor, how extensive a statement is the Court looking for in terms of back up, hours, or what have you, using the guidelines of the case law?

THE COURT: If you would follow the guideline it will tell you pretty much how extensive it has to be, because at this point I would expect your estimate to be fairly relevant.

MR. BENISCH: Your Honor, this would be considered practically an application for interim allowances?

THE COURT: Yes, indeed, I think it might be just as formal as that at this point.

MR. BENISCH: Except for the application portion?

MR. ORNSTEN: Except, your Honor, I just want to clarify it, that it would be an application for interim allowances with or without the application itself, but I think it would also be of value to the Court in this matter for an estimate as well of overall expenses, realizing certain things can't be absolutely tied down.

THE COURT: I think if we proceed formally and have an application which puts it squarely on the table for the SEC to review all the underlying data and how the figures were arrived at, we might have a meaningful discussion at that time.

MR. ORNSTEN: That would be fine.

THE COURT: You would proceed pretty much along the lines as if you were in the Surrogate's Court, isn't that so?

MR. BENISCH: Or in bankruptcy.

THE COURT: But you will find very many decisions, and I don't think this is immodest but one decision was very much my own and we had extensive hearings and that is -- I am having difficulty pronouncing the Norwegian or Swedish name but

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-against-

TILNEY & COMPANY
FREDERICK TILNEY

Defendants.

67 Civil Action
File No. 4676

ORDER MODIFYING CONSENT JUDGMENT OF PERMANENT INJUNCTION AND CONSENT TO APPOINTMENT OF A RECEIVER

AT NEW YORK, IN THE SAID DISTRICT THIS 16th DAY OF JULY, 1969:

An offer having been made by I. Alan Harris at a hearing before this Court on June 26, 1969 to withdraw as a co-receiver herein and the United States Securities and Exchange Commission, Franklin Ormsten, of Counsel, Joseph C. Hogan, co-receiver, Wagner, Quillinan & Tennant, Robert G. Benisch, of counsel, attorneys for the receivers, and Frederick Tilney appearing personally and by Cadwalader, Wickersham & Taft, Terence F. Gilheany, of counsel, having been present and raised no objection to the acceptance of such offer to withdraw, and it appearing that the acceptance of such offer is in the best interest of the receivership estate herein, it is

ORDERED, that the offer of I. Alan Harris to withdraw as co-receiver herein be and the same hereby is accepted; and it is further

ORDERED, that Joseph C. Hogan be and he hereby is designated sole receiver of all assets and property of, belonging to, or in the possession, custody or control of the

defendant, Tilney & Company and the defendant, Frederick Tilney individually and in the custody of any depository, a banking institution for the purpose of carrying out the directions contained in the Consent Judgment of this Court dated December 18, 1967, and it is further

ORDERED, that, except as modified hereby, the terms and provisions of the Consent Judgment of this Court dated December 18, 1967 entered in this proceeding shall remain in full force and effect.

Dated: New York, N. Y.

/s/ DAVID N. EDELSTEIN
U. S. D. J.

SECURITIES & EXCHANGE COMMISSION
vs.
TILNEY & COMPANY and
FREDERICK TILNEY

July 24, 1969.
11 A.M.

Before:

Hon. David N. Edelstein,
District Judge.

Present:

Mr. Ormsten
Mr. Connelly
Mr. Benisch
Mr. Gunniglo
Mr. Hogan
Mr. Harris
Mrs. D. Tilney
Mrs. B. Bernard Greidinger
Mr. Jerry Klein
Mr. Joseph Rigney
Mr. C. Bruce Pearsall

to Mr. Hogan, and there is a copy available to the Court, in which we have given an estimate of the liabilities that will have to be paid by the receivers of 271,000-odd dollars. That's on page 6. This includes allowance for expenses of administration.

THE COURT: I frankly don't think any useful purpose would be served by a discussion of this.

MR. TILNEY: I want to say this, sir--

THE COURT: You have brought this to the attention of the receiver. I am aware of your concern. I have all the facts and figures and I will be engaged in my evaluation of these liabilities by what has been supplied to me by the accountants and they have consulted with you, and obviously we are not going to pay out anything unless we think that the liability is subsisting and should be paid.

At the moment, I want to know when we are going to liquidate, and my target is no later than the end of the year and that includes auctioning off whatever may be necessary.

MR. TILNEY: Correct, sir. We fully

understand that position. I would think that if Dr. Greidinger reviewed the report that I sent to Mr. Hogan and which I also furnished Dr. Greidinger and make a competent report to the Court on the summary that we have given, this might clear the atmosphere. In the meantime I believe the SEC has asked for a statement of fees of the receivers, and their counsel, and their auditors. I feel that this is the one liability remaining in limbo, you might say, and everything else has been established. I believe today was a return date for these reports of fees.

THE COURT: I'm sorry. I don't know where you got that notion. There was no return date made for these fees at all, and I don't think this is a matter of concern at the moment; when the fees are indicated there will be ample opportunity on behalf of those that are interested, including the SEC, to make appropriate objection.

And I don't think it serves any useful purpose to discuss it now.

MR. TILNEY: Now, sir, in this report I have presented to Mr. Hogan, and I feel -- Mrs. Tilney and I spent a great deal of time gathering

this material together and we feel this is our life and we should be given some consideration.

THE COURT: I think you have been given a great deal of consideration.

MR. TILNEY: Correct, sir. We so state. However, I would like Mr. Hogan to review this report with me, and with Dr. Greidinger, go over it, see what holes there are in it, if any, and see if we can proceed along this line. The one open matter now is this Waddington situation which is going to be auctioned off on October 6th and we have received $50,000, we are paying out $50,000, we expect to collect a great deal more than $50,000 when the sale is consummated through various and sundry devices, including sales.

THE COURT: Not various and sundry devices, including sales, just sale. No various and sundry devices. This stock will be sold at sale.

MR. TILNEY: Of course. This doesn't limit the recoveries though. So I would like to suggest to the Court I have a meeting with Dr. Greidinger and Mr. Hogan and Mr. Benisch to go over this report that I have presented and to get the direction and agreement on what should be done to

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about that.

MR. TILNEY: Now, sir, I come back to the last point. I would like to have a statement of the fees of the receivers.

THE COURT: I think that will be provided in due time, Mr. Tilney.

MR. TILNEY: Your Honor, we have been at this thing now for 18 months --

THE COURT: I don't want to discuss it any further.

MRS. TILNEY: Your Honor, is it possible for me to say something?

MR. TILNEY: Yes, it is, Dorothy. Go ahead.

THE COURT: Surely.

MRS. TILNEY: As I recall last Wednesday, perhaps I misunderstood --

THE COURT: I think you did.

MRS. TILNEY: I believe you said, sir, that they could submit interim, their interim report and I thought that would be due today. You talk about guidelines--

THE COURT: Mrs. Tilney --

MRS. TILNEY We are working in the dark and we do not have the vaguest idea what--

or conjecture, but a formal application for fees as soon as they are able to do so.

MRS. TILNEY: Thank you, sir. Then we will have to have some idea of what we will have to dispose of.

THE COURT: You will know everything you need to do.

MRS. TILNEY: Before assignments are made?

THE COURT: We are not concerned about one thing as relates to assignments or judgments. There are notes due and owing this estate, and counsel has no choice but to proceed to sue on them.

MRS. TILNEY: Thank you.

THE COURT: And that's particularly urgent now that we know the bank's position is to proceed by suit.

MR. GUNNIGLE: I have no alternative.

THE COURT: Now, when do you expect to interpose an interim application for fees formally not just an estimate or a report, or a conjecture but precisely?

MR. HOGAN: I would think a month.

THE COURT: Would that do it?

MR. BENISCH: Yes. I think so.

MR. GREIDINGER: About three or four weeks I think.

MR. BENISCH: I would be happy to consult with Mr. Gunnigle and Tinker with respect to these notes, GSC notes. I'd like to take the opportunity to sit down at some other time and discuss it with you.

THE COURT: Is there anything further? I just want to reiterate. I expect this estate to be liquidated no later than the first of the year. Anything further?

MR. GUNNIGLE: Your Honor, with respect to the application of the bank as related to Sundown, what is your feeling as to that?

MR. BENISCH: Might I interrupt? Although I know the question is addressed to his Honor, in this regard, in all fairness to Tinker, Mr. Gunnigle, I think you realize as I have stated before, that before we can consider accepting or any acceptance of Tinker's proposal or Marine Midland-Tinker's proposal, we must first have in our hand sufficient assets with which to pay off the creditors and the administration expenses in order to avoid any possibility of preference.

Now, if the receiver is inclined to hold the

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. TILNEY & COMPANY and FREDERICK TILNEY, Defendants.	67 Civ, 4676

Before:

HON. DAVID N. EDELSTEIN, District Judge.

New York, September 23, 1969
11:00 a.m.

APPEARANCES:

FRANKLYN ORMSTEN, ESQ., Attorney, Securities and Exchange Commission, for the plaintiff.

WAGNER, QUILLINAN & TENNANT, ESQS., Attorneys for receivers;
Robert G. Benisch, Esq., and
Robert F. Wagner, Esq., of councel.

JOSEPH C. HOGAN, ESQ., and
I. Alan Harris, Esq., receivers.

Arnold Bauman, Esq., Guardian for childrens' interest.

ALSO PRESENT:

Mr. Frederick Tilney,
Mrs. Dorothy Tilney,
Mr. B. Bernard Greidinger,
Mr. Jerry B. Klein,
Mr. Harold Zahl.

THE COURT: I think then you ought to state it in open court.

THE WITNESS: Your Honor, we at several previous hearings have discussed the matter of the receivership fees and the impact that they will have on the estate and the necessity of closing the same at the earliest practicable moment. I believe Mr. Ormsten, representing the SEC, is aware of this problem, and I would like to have some expression from the plaintiff, if I might, on this particular matter.

THE COURT: Mr. Ormsten, do you wish to say anything?

MR. ORMSTEN: Your Honor, let me just comment on Mr. Tilney's statement to the Court.

I had spoken to Mr. Tilney and to Mr. Benisch on the phone in connection with the question of administrative expenses. I was not aware when coming here today that we would, in fact, have a formal hearing, an evidentiary hearing and the taking of testimony. So for that reason I hadn't brought up this additional problem.

If the Court wishes to discuss that I would be happy to make a statement pursuant to what I had spoken to Mr. Tilney and Mr. Benisch about on the phone.

THE COURT: Mr. Ormsten, my understanding is

UNITED STATES DISTRICT COURT [1]

SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, vs. TILNEY & COMPANY and FREDERICK TILNEY, Defendants.	67 Civil 4676

Before:

HON. DAVID N. EDELSTEIN,

District Judge.

New York, September 24, 1969;
10:30 a.m.

APPEARANCES:

JOSEPH C. HOGAN, ESQ., Receiver.

WAGNER, QUILLINAN & TENNANT, ESQS.,
Attorneys for Receiver;
Robert G. Benisch, Esq., and
Robert F. Wagner, Esq., of counsel.

FRANKLIN ORMSTEN, ESQ.,
Attorney, Securities and Exchange Commission.

Also present:

Mr. Frederick Tilney,
Mrs. Dorothy Tilney,
Dr. B. Bernard Greidinger,
Mr. Jerry B. Klein.
Mr. Henry Brooks, Auctioneer
(Adrian H. Muller & Son)

(Retyped for Clarity)

MR. BENISCH: Your Honor, this auction sale was brought on by order of this Court dated the 8th day of September, 1969. Provided in said order was a direction that advertising be made in various newspapers, and I would like to submit at this time affidavits of publication pursuant to the Court's order.

In addition to such publication, I have been advised by the representative of the Governmental Statistical Corporation that the corporation has mailed out, to various individuals and companies set forth in a schedule annexed to the affidavit of service, a notification and essential facts and terms of sale regarding this auction. I would also like to offer this affidavit of publication.

THE COURT: Good morning, ladies and gentlemen. This Court has ordered the Receiver's sale of bank stock, The bank involved, and represented by these shares, is the Waddington Bank in Waddington, New York, and the number of shares to be sold is 787.251 shares.

We have retained the services of a qualified licensed auctioneer with a background of experience in the sale of bank stock. I am going to turn the auction over to him. He will read and familiarize you with the terms of sale. And I should like to note and emphasize

that all bids are subject to the approval of this Court.

May I introduce the auctioneer this morning, Mr. Henry Brooks of Adrian H. Muller & Son.

Mr. Brooks, are you ready? You may proceed.

THE AUCTIONEER: I am first going to read the publication as it appeared in The New York Times:

"Receiver's sale of bank stock by order of Hon. David N. Edelstein, Judge of the United States District Court, Southern District of New York, In re: S E C, Plaintiff, vs. Tilney & Company, Frederick Tilney, Defendants, 67 Civil Action File No. 4676, the sale being held today, Wednesday, September 24, 1969, at Room 906, United States Courthouse, Foley Square, New York, N.Y.

"The Receiver of the assets of Tilney & Company and Frederick Tilney will sell at public auction 787.251 shares of capital stock with a par value of $10 of the Waddington Bank, Waddington, New York. Authorized shares are 2500 shares."

The terms of sale of this sale are as follows:

"A block of 787.251 shares of stock of Waddington Bank will be sold under the direction of Hon. David N. Edelstein, United States District Judge, at Room 906, United States Courthouse, Foley Square, New York, New York,

on September 24, 1969 at 10:00 A.M., pursuant to the order of this Court dated September 8, 1969, upon the following terms:

"1. The above shares shall be sold to the highest bidder whose bid is acceptable, but the Receiver may refuse any bid, with or without cause, and may withdraw any of such shares from sale before they have actually been knocked down to a bidder.

"2. The Owner of such shares reserves the right to bid on any and all shares offered for sale at such auction.

"3. Each purchaser at the sale shall be required at that time and place to sign a memorandum of sale and will be required at that time to pay twenty-five percent (25%) of the purchase price for the said shares in cash or certified check to Joseph C. Hogan, Receiver herein, for which payment the Receiver's receipt will be given.

"4. The remainder of such purchase price will be required to be paid in cash or by certified check to the Receiver at his office, 40 Wall Street, New York, New York, on or before October 6, 1969, at which time the certificate(s) for such shares properly endorsed will be delivered to the purchaser.

"5 The bidding will be kept open after the property is struck down to the highest bidder who shall

have bid an amount satisfactory to the Receiver and the Court; in case any purchaser shall fail to comply with any of these conditions of sale he shall forfeit any sum deposited by him on account of the purchase price of such shares and at the option of the Receiver such shares may again be put up for sale upon the same terms of sale and the buyer shall be held liable for any deficiency in the price received at such resale and all costs and expenses thereof.

"6. The Receiver and the Court reserve the right on the sale of any subsequent resale of said shares to reject any bid which, in their sole and independent judgment is insufficient and upon such rejection the bidder will have the right to bid an additional amount which will be satisfactory to the Receiver and the Court.

"7. The said shares may be auctioned in one or more lots and in the event the bid prices for the whole equals or exceeds the aggregate of the prices bid for the separate lots then the said shares shall be sold to the highest bidder for the whole of said shares providing such bid is acceptable to the Receiver and the Court.

"8. The attention of any prospective purchaser is directed to the provisions of Banking Law Section 130, Subdivision 7 as enacted by Chapter 299 of the Laws of 1969

and Banking Law Sections 141, 142, 143(b), 145 and 147 as amended by Chapter 950 of the Laws of 1969."

Copies of these bills are available for inspection in the court, if you wish to look at them before the sale begins.

I also want to bring to your attention a little note from the Securities and Exchange Commission:

"Please be advised that the Waddington stock is an exempted security under Section 382 of the Securities Act of 1933, and thus the sale of the stock does not require registration under this Act."

We are going to offer these shares of stock first in single lots, lots of 100 shares each, and the eighth lot for 87.251 shares. Then we will offer the entire bulk of 787.251 shares in one single bulk lot at auction.

Are there any questions before we start the bidding? We are asking for bids of a minimum upset price of $50 per share to start. We are going to start the bidding with lot number 1 for 100 shares.

Who will start the bidding? Any bids for 100 shares, lot number 1 at $50 per share? Any bids?

Last call, final warning before we pass the

lot.

We pass it.

Lot number 2, 100 shares. Any bids, $50 per share? Lot number 2, 100-share lot. Last call before we pass it.

Passed.

Lot number 3, 100 shares of stock. Any bids? Lot number 3. Last call.

Passed.

Lot number 4, 100 shares. Any bids? Last call.

Pass it.

Lot number 5, 100 shares. Last call before we pass it.

Pass it.

Lot number 6, 100 shares offered for sale. Last call. Final warning.

Pass it.

Lot number 7, 100 shares offered for sale. Last call, final warning.

Pass it.

Lot number 8, 87.251 shares. Any bids for this lot. Last call and final warning.

Okay. No bids.

We will now offer for sale, in bulk lot,

787.251 shares of the capital stock of the Waddington Bank, with a par value of $10. Who will start the bidding at so much per share? The minimum upset price is $50 per share?

Any bids? Hold your card up, please.

Number 4, $50. We have a bid of $50 per share.

Any advance over $50 per share?

$50 per share. $50 per share going once, $50 per share going twice, last call, final warning.

Any advance? We have a temporary knockdown at $50 per share subject to the approval of the Receiver and the Court.

Would you mind stepping up here, sir?

THE COURT: We will declare a brief recess.

Mr. Pack, will you please stand by.

THE AUCTIONEER: We will have a brief recess. If anyone is interested in standing by, you are welcome to do so. We have a temporary knockdown of $50 per share.

(Recess.)

(In the robing room:)

THE COURT: I would like to get some indication from the Receiver and his counsel and the SEC as to

Waddington stock were offered in bulk at an upset price of $50 and only one bid of $50 was received; there were no other bidders.

I should also like to note for the record, to be more explicitly detailed subsequently, that yesterday I made a brief check concerning any possible outside market for the Waddington shares and learned that they were not listed on the pink sheet. I made a further check addressed to a publication, and this is where I may have to fill you in, called the National Bank Survey, and there was information to the effect that in 1968 there were only two bids recorded, one in the amount of $21.50 a share, no offer, and thereafter another bid in the amount of $20 a share, no offer. These entries are recorded in the publication I have just named, for the year 1969, but reflect bids in 1968 and no bids in 1969.

The names of the bidders, but not keyed to any of the bids, are A. Brill & Company, and the other, Kennedy & Company. So theoretically this represents $30 above the only two bids recorded in the National Survey.

Bring Mr.Pack in.

(Mr. Harry S. Pack entered the robing room.)

THE COURT: Mr. Back, at the moment we see no

and owing. And in that connection, at an earlier meeting I brought before the Court's attention the fact that there might be other assets in other Tilney entities.

I have since discussed that fact in general terms with Mr. Tilney and I also mentioned it to Mr. Benisch. I feel that if we do not have sufficient funds, then it might be in the interest of justice and the orderly liquidation of the receivership estate to have the Receiver proceed as against those other entities.

However, I think, before I forcibly and unequivocally urge that, I would like some idea, and I know Mr.Tilney has consistently stressed that, of what our total costs are going to be, and in order to determine that total there is still remaining the administrative expenses.

If we can, without protracting the meeting, can we have stock taken here where we can say, very briefly, with the very able assistance of Mr. Klein and Mr. Greidinger, what remains to be paid, and could Mr. Benisch and Mr.Hogan indicate what is to be added to that? Then I think we can at least say, without being unreasonable or arbitrary, we'll have to take further steps. Because it has been some time since December of 1967 and, as I say, needlessly because the Court has always been

mindful of it, we are concerned that people who invested money, who paid money, get that money back at this time.

THE COURT: I think it is a very fair request and certainly realistic because this is also going to be an obligation of the estate together with the obligations due and owing creditors. So I would turn to the receiver andhis counsel, as well as Professor Greidinger, in turn to see if we can elicit from them some information as to the earliest possible time when they can submit an application for temporary allowances or interim allowances.

MR. HOGAN: I feel that we cannot be realistic at this time with figures because we are only half way through this matter. But much I think will develop in the next few months, and I would think that perhaps this could be held in abeyance until the first of the year, because even the sale of the stock has caused so much expenditure of time on Mr. Benisch's part and my part, and also Mr. Greidinger's.

We have a judgment against Governmental Statistical now, which is one of the corporations Mr. Tilney is interested in; we have this proposition that is coming in from the Tinker Marine Midland Bank, a hundred thousand dollar claim against this estate; and as of yesterday we reduced the claims by the 133,000 notes; and I think there is a possibility that

within two months we really will be able to get these claims down to a figure where we will be talking about some sort of distribution.

We need that much time, and the expenditure of time on the part of the accountants and Mr. Benisch and myself over that period may be very extensive, and the figure that we may give today might not in any way be the figure that we would give two or three months from now.

THE COURT: I am not sure that all of us are on target for the moment. I think the S E C is concerned with the problem that I share with them. Before they decide upon a position, and an adamant one at that, to compel the further liquidation of assets, they feel that their decision and their judgment can more realistically be measured in terms of what the total obligations of this estate are.

Do I state that correctly?

MR. ORENSTEIN: Yes, sir. That is correct.

THE COURT: I don't think we are asking for any precise decimal-point statement at this time, but I certainly think it would be helpful, at least concerning the services which have been rendered to date, if an application were made. This, of course, is not going to

preclude any further application subsequently based on additional services. But what has been done has been done, what services have been accomplished are matters of the past, and certainly I would think that some estimate, some value, some claim can be placed on those.

I don't ask you to do this in 24 hours or 48 hours, but I think it should at least , as to the interim allowances, be done before January 1st. Wouldn't you think so?

MR. ORENSTEIN: I am in accord with what the Court says. I would just like to allude back to one thing you said earlier, your Honor.

We are not asking for a precise or decimal-point statement, but I think we would have a range in which to know what our further problems are of getting the moneys.

Again, merely in conference, seeking a consensus here, isn't it conceivable, since this business has gone on now since the liquidation of the estate, the funds have gone on approximately since December of 1967, that we might at some point have to say that there will be less than a hundred cents on the dollar and that we want to reach a terminal point?

THE COURT: What you want to do is to be able to balance what we have and what we can hope to obtain

against what we owe.

MR.ORMSTEN: Right, if the Court would permit me one oratorical flourish, I would like to state that, as Justice Holmes said, justice too long delayed is justice denied. This payment will be meaningless eventually if it is not paid out to these creditors who, as I said earlier, are the principal concern of the S E C.

THE COURT: I am not at all sure that justice delayed is justice denied. In this particular focus it is an oratorical flourish, and I appreciate your rhetoric, but I am not at all sure it has any applicability, because when you are dealing with a host of creditors and thinking in terms of fairness, and you are attempting to obtain everything that is possible out of the assets of an estate, which to some extent represents assets that are frozen, as we have witnessed today in a rather singular demonstration, which showed a complete lack of enthusiasm for the shares of the Waddington stock, as you know we recorded every potential bidder and I think there were just fourteen in number. We hired a highly professional and sophisticated auctioneer in his field. What did we get? We tried two ways, both odd-lot bidding and bulk bidding, and not one single

odd-lot bid was received, not one, and in the bulk bidding there was one bid. That is very interesting, isn't it?

And, as I already indicated concerning my check of the National Bank Survey, there were only two bids listed in that as of 1969, and they relate to 1968. One bid was for 21-1/2 and the other one was for $20 a share, and nothing in the pink sheets.

I am not going to labor this point except to say that at some phases of our hearings we have certainly not been presented with very accurate facts or representations.

This sale has cost us approximately $4,000. I am extremely distressed, to say the very least, and I may have some further thoughts at some subsequent time, and I may take some action in that regard, too. I am very distressed.

I think to some extent, and I am going to perhaps explore the record and detail it later on, we have been suchered into a situation, the Court, the Receiver and the SEC. I think the record will indicate that representations were made that this stock was worth $70 or $80 a share. Do you recall that?

MR. ORMSTEN: I believe that is the case.

MR. LENISCH: I do.

THE COURT: $70 or $80 a share. But more about that at some subsequent time, perhaps.

Now about the fees. Mr. Hogan, Mr. Greidinger, Mr. Benisch, do you think we can get some interim application, some estimate that is reasonable, conservative, that is realistic, within a reasonable time? I think it is extremely important for us to get a compass reading here of obligations, liabilities and assets so that we can proceed with some expedition concerning other assets.

MR. HOGAN: I would like until the first of the year. Actually over the last few weeks I have not been able to do anything in the office except this auction business. I don't think the first of the year is unreasonable.

THE COURT: Mr. Hogan, would you also indicate for the record -- I think we should have some illumination on the subject -- approximately how many calls you got? I know that up to a point your staff was rather busy answering calls and sending out information.

MR. HOGAN: I would say about 125 calls, as an estimate, and some of them were very lengthy calls my girls had to take. They would be asking for information. The girls would be trying to give them the information. The last few days, practically the entire day was spent on the telephone.

that they should not communicate with the creditors in any way.

THE COURT: Has that been done? Is that continuing to be done?

MR. HOGAN: She writes letters occasionally. She has written some on her own behalf but actually of course it is in pursuit of interests of the estate.

MR. ORMSTEN: I don't know of anything specific but I think a general admonition might be warranted.

THE COURT: Mr. Tilney, I have just been informed that in one way or another you are still persisting in your interference with this receivership, that either you or Mrs. Tilney are communicating with creditors. I seem to recall that I have admonished you about that on an earlier occasion.

MR. TILNEY: Sir, I have not communicated with any creditor with the exception of one who happens to be our grocer.

THE COURT: Well, all right. I am not going to labor the subject and I am not going to question you about it, except that I am going to state once again for the record, and I urge you to pay heed, that this Court requests that you not interfere with this receivership in any manner, that you not communicate with any creditors or under any circumstances. If you have any requests,

you may apply to the Receiver; and if any further funneling or channeling is necessary, that should be done by the Receiver to this Court.

Now please pay heed, Mr. Tilney. I will be very distressed if I had to impose any sanctions upon you for failing to heed my instructions.

MR. TILNEY: Your instructions will be abided by completely by myself.

THE COURT: And of course, Mrs. Tilney, you just heard what I said, and I would indicate that these instructions also apply to you.

Is there any further business?

MR. ORMSTEN: Your Honor, it has just been called to my attention that we would have to have, or I would anticipate that we would have to have, one hearing or at least a conference as to the fees so that, if there is an accurate representation, or as accurate as we can make it now, by Mr. Hogan that he will have the estimate or interim application in by the first, then I wouldn't, in fairness, want to hold Dr. Greidinger and his firm to a closer standard, if we can agree on a date.

THE COURT: I would say, with some slight amendment of your statement, no later than the first. I would hope that if Mr. Hogan's office is able to help prepare this interim statement at an earlier date, it

will be most desirable if we could have all these allowances by November 24th, which is a time indicated by Mr. Benisch as well as Dr. Greidinger. So keep that in mind, Mr. Hogan, and see if you can work this in simultaneously.

MR. TILNEY: Your Honor, may I be heard? The estate is now in a position where Mrs. Tilney is prepared to submit an application to the Court, through Mr. Hogan, requesting that the estate be closed, and the figures are prepared and available. I have our accountant here, who is going over them, and we will have an application on Mr. Hogan's desk no later than Tuesday morning both from ourselves and the Tinker National Bank, seeking to close the estate, and Mrs. Tilney will be speaking in the position of the largest creditor.

THE COURT: Mr. Tilney, as soon as this application is submitted, I shall act upon it at the earliest possible time consistent with my other duties. I think occasionally there has been some thought that the only work I have upon my schedule is the Tilney estate. Really that is not so.

MR. TILNEY: I know that, sir.

THE COURT: As soon as this application is made available to me, I shall try to hold a hearing at the

B. BERNARD GREIDINGER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

1441 BROADWAY, NEW YORK
PENNSYLVANIA 6-7267

November 6, 1969

I. Alan Harris and Joseph C. Hogan, Receivers For
Tilney & Company and Frederick Tilney
New York, N. Y.

Gentlemen:

In accordance with your request, we have prepared the attached financial report of Tilney & Company (a partnership) and Frederick Tilney (an individual) in receivership by order of the United States District Court, Southern District of New York, dated December 18, 1967, as of October 31, 1969, which consists of the following:

Exhibit A - Statement of Assets and Liabilities
Subject to Realization and Liquidation
at October 31, 1969

Schedule 1 - Securities - October 31, 1969

Notes to Financial Report

Our examination included a review of the Receiver' books and records as well as a physical examination of securities on hand in the possession of the Receivers. Information and valuations contained in the financial statements were furnished by the Receivers and their counsel without independent verification, as a basis for determining the fair and realizable amounts which might result from the ultimate sale and liquidation of the underlying assets. In the circumstances, we are precluded from expressing an opinion on the financial statements as a whole.

This special purpose report is intended for use solely by the Receivers and other interested parties to the proceedings in formulating appropriate guidelines for the ultimate realization and liquidation of the receivership.

Very truly yours,

I. ALAN HARRIS AND JOSEPH C. HOGAN, RECEIVERS FOR
TILNEY & COMPANY (PARTNERSHIP) AND
FREDERICK TILNEY (AN INDIVIDUAL)

Statement of Assets and Liabilities Subject
To Realization and Liquidation (Note 1)
October 31, 1969

EXHIBIT A
Page 1 of 2

Assets		Total	Tilney & Company	Frederick Tilney
CURRENT ASSETS:				
Cash in checking accounts		$ 4,428	$ 1,733	$ 2,695
Investment in U.S. Treasury Notes - 4% due 2/15/70 (Par $205,000)		203,910	203,910	-
Securities (valued by Receivers at conservative liquidating values) (Schedule 1)		98,760	83,965	14,795
		307,098	289,608	17,490
Transfers and Advances During Receivership		-	(5,817)	5,817
		307,098	283,791	23,307
ASSETS SUBJECT TO CLAIMS, LIENS AND OFFSETS:				
Collateral held by Long Island National Bank under collateral loan agreement to loan of Governmental Statistical Corporation (see contra contingent liabilities) -				
Cash in escrow account		33,539	33,539	-
Securities (valued by Receivers at conservative liquidating values) (Schedule 1)		11,340	11,340	-
Securities held by National Bank of Alaska (tentatively valued by Receivers at amount of debt to which pledged) (Schedule 1) - contra		1,200	-	1,200
Interest receivable on debentures of City Commerce Corporation held by that company as offset		1,950	1,950	-
		48,029	46,829	1,200
REAL ESTATE (VALUED CONSERVATIVELY BY RECEIVERS):				
Residential property and certain adjacent lots - Centre Island, N.Y.		152,000	-	152,000
Vacant land - Anchorage, Alaska (Note 9)		15,000	15,000	-
		167,000	15,000	152,000
ASSETS NOT PRESENTLY VALUED:	Book Value			
Investments in and receivables from affiliates (Note 2) -				
Governmental Statistical Corporation - judgment claim of	$674,907			
Tilney & Company, Inc.	47,217			
Tilney Construction Corporation	59,128			
Dorothy Tilney - amount undetermined				
Office machinery and equipment, less depreciation	1,217			
Cash value of life insurance, less loan principal and interest	3,500			
Due from customers on security transactions	3,830			
	789,799	-	-	-
Total Assets		522,127	345,620	176,507
Tentative (Deficiency) or Excess Before Administration Fees and Expenses and Contingent Liabilities		79,199	48,472	30,727
TOTAL ASSETS AND TENTATIVE DEFICIENCY		$442,928	$297,148	$145,780

See letter of transmittal and accompanying notes to financial statements.

S. BERNARD GREIDINGER & COMPANY — CERTIFIED PUBLIC ACCOUNTANTS, N. Y.

FREDERICK TILNEY (AN INDIVIDUAL)

Statement of Assets and Liabilities Subject
To Realization and Liquidation
October 31, 1969

Liabilities	Proofs of Claim Filed	Total	Tilney & Company	Frederick Tilney
PREFERRED CREDITORS:				
Administration fees and expenses - presently undetermined (Note 4)	$ -	$ -	$ -	$ -
Payroll taxes	2,792	2,419	2,419	-
TOTAL PREFERRED CREDITORS	2,792	2,419	2,419	-
SECURED CREDITORS:				
Mortgage payable to Equitable Life Assurance Society of the U.S. on residential property - Centre Island, N. Y.	-	26,500	-	26,500
Note payable and accrued interest to National Bank of Alaska - contra	-	1,200	-	1,200
TOTAL SECURED CREDITORS	-	27,700	-	27,700
UNSECURED CREDITORS:				
Note payable to Franklin National Bank	3,150	3,150	3,150	-
Note payable to Tinker National Bank (excludes interest) (Note 6)	98,000	98,000	-	98,000
Due to broker - Francis I. duPont & Company	3,105	3,105	3,105	-
Customers accounts (at book and/or market values at December 17,1967 (Note 3)	181,975	200,222	200,222	-
Customers - Tilney children accounts (at book and/or market values at December 1967) (Note 3)	37,030	27,832	27,832	-
Accounts payable - trade	60,066	57,945	57,945	-
Accounts payable - personal expenses	18,574	20,080	-	20,080
Advances by Dorothy Tilney (subject to possible offsets)	-	2,040	2,040	-
Advances by Tilney children	12,652	435	435	-
Contingent Liabilities:				
For expenses incurred by Tilney & Company, Inc. and Governmental Statistical Corporation as successors to Tilney & Company	3,414	-	-	-
For guarantee and collateral pledged under collateral loan agreement to loan principal of $62,000 plus accrued interest of $1,796 (see contra collateral held by bank) (Note 7)	-	-	-	-
Income taxes (Note 7)	-	-	-	-
TOTAL UNSECURED CREDITORS	417,966	412,809	294,729	118,080
TOTAL LIABILITIES	$420,758	$442,928	$297,148	$145,780

TILNEY & COMPANY (A PARTNERSHIP) AND
FREDERICK TILNEY (AN INDIVIDUAL)

EXHIBIT A
Schedule 1

Schedule of Securities
October 31, 1969

Number of Shares or Face Value	Description	Tilney & Company	Frederick Tilney	Total Valuation (1)	
SECURITIES ON HAND					
$ 47,197	City Commerce Corporation	$ 7,080	$ -	$ 7,080	
55,644	City Commerce Corporation - 7% Debentures	40,000	-	40,000	
25	Life Insurance Securities Corporation	-	-	-	
220	Alaska State Bank (4)	150	-	150	
15	Alaska Airlines	-	-	-	
262	Tinker National Bank (transferable receipts for Marine Midland shares)	36,717	-	36,717	
2.447.8	Matanuska Valley Bank	-	795	795	
53	" "	18	-	18	
1	Pan American Airways	-	14,000	14,000	
300	Long Island Commercial Review	83,965	14,795	98,760	
SECURITIES HELD BY LONG ISLAND NATIONAL BANK (2)					
$ 59,000	Governmental Statistical Corporation	11,340	-	11,340	
756	Matanuska Valley Bank	-	-	-	(3)
19,000	Long Island Commercial Review 4% Note Receivable	-	-	-	(3)
640	Matanuska Valley Bank	-	-	-	(3)
130	Bank of Suffolk County	-	-	-	(3)
31	National Bank of Alaska	11,340	-	11,340	
SECURITIES HELD BY NATIONAL BANK OF ALASKA					
6,700	Central Alaska Utilities	1,200	-	1,200	
TOTAL		$96,505	$14,795	$111,300	

(1) Security valuations were furnished by the receivers at conservative liquidating values.
(2) Securities are held under collateral loan agreement to loan of Governmental Statistical Corporation in the principal amount of $62,000, plus $1,796 accrued interest. The Bank is also holding as collateral 4% notes receivable of The Alaska State Development Corporation due to Governmental Statistical Corporation in the amount of $95,000 maturing August 1, 1973.
(3) No values were assigned by the receiver as securities are subject to alleged claims asserted by Dorothy Tilney.
(4) Subject to claim asserted by Tilney & Company, Inc. - no value assigned.
(5) Convertible into 380 shares of Marine Midland stock - subject to possible claim by Tilney & Company, Inc.

I. ALAN HARRIS AND JOSEPH C. HOGAN, RECEIVERS FOR
TILNEY & COMPANY (A PARTNERSHIP) AND
FREDERICK TILNEY (AN INDIVIDUAL)

Notes To Financial Report
October 31, 1969

NOTE 1 - VALUATION OF ASSETS

Asset values were furnished by the receivers based primarily upon bids received for securities and appraised values and offers for real estate consistent with conservative liquidating values which may ultimately be realized upon liquidation.

NOTE 2 - INVESTMENT IN AND RECEIVABLE FROM AFFILIATES

The amounts recoverable from the investments in and receivable from affiliates can not be presently determined by the receivers and their counsel. Current financial statements of affiliates are unavailable for review. Accordingly, the accompanying financial statement omits any valuation for estimated realizable amounts.

Governmental Statistical Corporation presently owns real estate located in Hicksville, New York. In 1966, Governmental Statistical was awarded $45,100 by the State of New York on property condemned in Hicksville, New York, which amount has not yet been received and is being contested. A judgment has been filed against Governmental Statistical Corporation in favor of the estate in the approximate amount of $500,000.

Tilney Construction Corporation presently owns real estate in East Norwich and Hicksville, New York.

Details of any indebtedness by Mrs. Dorothy Tilney to the estates have not yet been furnished and examined.

NOTE 3 - LIABILITIES TO CUSTOMERS

Liabilities to customers are tentatively stated at account balances as of December 17, 1967 and market valuations on that date for failed to deliver securities. For purposes of valuing creditor proofs of claim where specific securities are claimed, the receivers and their counsel have tentatively advised valuing such claim equivalent to the customer's original cost. The foregoing is subject to review and approval by the court.

I. ALAN HARRIS AND JOSEPH C. HOGAN, RECEIVERS FOR
TILNEY & COMPANY (A PARTNERSHIP) AND
FREDERICK TILNEY (AN INDIVIDUAL)

Notes to Financial Report
October 31, 1969

NOTE 4 - ADMINISTRATION FEES AND EXPENSES

Administration fees and expenses are subject to review by the court and have not yet been determined. In the opinion of the receivers, such cost might be substantial.

NOTE 5 - NOTES PAYABLE AND ACCRUED INTEREST PAYABLE TO THE TILNEY CHILDREN

The receivers have instituted legal action to have eliminated the alleged indebtedness of Frederick Tilney on gifts of notes to his children aggregating $130,330 at December 17, 1967. The matter is presently before the court.

NOTE 6 - NOTE PAYABLE TO TINKER NATIONAL BANK

A note payable in the principal amount of $98,000 was due and payable to the Tinker National Bank by Frederick Tilney and Dorothy Tilney jointly. For the purposes of financial reporting, the entire principal balance is shown as an obligation of Frederick Tilney. Accordingly, the receivers would have a right of contribution against Dorothy Tilney in the event it was required to liquidate the obligation in full.

NOTE 7 - CONTINGENT LIABILITY TO LONG ISLAND NATIONAL BANK

Tilney & Company and Frederick Tilney are contingently liable under a collateral loan agreement to a loan by Long Island National Bank to Governmental Statistical Corporation in the principal amount of $62,000 plus accrued interest of $1,796 at June 30, 1969. In addition to cash and securities of Tilney & Company held by the bank as collateral and tentatively valued at $44,879, it also holds as collateral a 4% note in the face amount of $95,000 issued by The Alaska State Development Corporation to Governmental Statistical Corporation, maturing August 1, 1973.

I. ALAN HARRIS AND JOSEPH C. HOGAN, RECEIVERS FOR
TILNEY & COMPANY (A PARTNERSHIP) AND
FREDERICK TILNEY (AN INDIVIDUAL)

Notes To Financial Report
October 31, 1969

NOTE 8 - CONTINGENT LIABILITY FOR INCOME TAXES

The receivers are obligated to file fiduciary income tax returns covering income and expenses during the administration period. The respective tax information would be required to be incorporated in Frederick Tilney's individual or joint income tax return and the tax, if any, paid therewith. The extent of any income tax liability or the extent of available operating losses for purposes of tax savings or refund claims have not yet been determined, pending determination of the tax basis of property sold during the administration period.

NOTE 9 - VACANT LAND - ANCHORAGE, ALASKA

Frederick and Dorothy Tilney owned certain vacant land in Anchorage, Alaska, which was purchased in 1968 by the receivers on behalf of Tilney & Company and Frederick Tilney under foreclosure sale for approximately $14,000. The investment is tentatively carried in the Tilney & Company accounts inasmuch as proceeds used in acquisition emanated from such estate.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,
Plaintiff,

-against-

TILNEY & COMPANY,
FREDERICK TILNEY,
Defendants.

67 Civil Action
File No. 4676

STIPULATION

IT IS HEREBY STIPULATED AND AGREED by and between the undersigned that the time for submission of applications for interim allowances by I. Alan Harris and Joseph C. Hogan, Receivers, B. Bernard Greidinger & Co., accountants, Wagner, Quillinan & Tennant, Esqs., attorneys for the Receivers, be and the same hereby is extended to and including the 15th day of January, 1970.

IT IS FURTHER STIPULATED AND AGREED that an order to the above effect may be entered without further notice to either party.

Dated: November 24, 1969

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

By Franklin D. Ormsten

Joseph C. Hogan
Joseph C. Hogan, Receiver

SO ORDERED

David N. Edelstein
U.S.D.J.

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UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

SECURITIES & EXCHANGE COMMISSION, Plaintiff, vs. TILNEY & COMPANY and FREDERICK TILNEY, Defendants.	:	67 Civ. 4676

Before: HON. DAVID N. EDELSTEIN, D.J.

New York, December 30, 1969.

APPEARANCES:

FRANKLIN ORMSTEN, ESQ.,
Attorney for Securities & Exchange Commission.

WAGNER, QUILLINAN & TENNANT, ESQS.,
Attorneys for Receivers;
Robert G. Benisch, Esq., of Counsel.

EDWARD J. GUNNIGLE, ESQ.,
Attorney for Marine Midland Tinker National Bank.

JOSEPH C. HOGAN
and
I. ALAN HARRIS,
Receivers;
Joseph C. Hogan, of Counsel.

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estate I have recommended this for the last couple of months. Mr. Gunnigle and I have talked about it. I think that the transaction, working out the mechanics of it properly, would be most beneficial to this estate.

THE COURT: How?

MR. HOGAN: The title to this land that is in question, No. 1, Mr. Tilney states that it in his name, the deed, as nominee for Tilney Construction, Inc.

THE COURT: I trust you will forgive me, Mr. Hogan, for interrupting you, but I must tell you that I am not impressed with this remote, contingent allegation of a possible cloud of title. Perhaps there may be some cloud, perhaps not. But there are remedies at law which can be quickly reached as to the meaning and the heart of any such allegation.

Now, I certainly have no reason to ask you not to mention it or to talk about it, but at the moment I think it is so much in the area of the nebulous and conjecture, that I don't know how much weight to give to it at all in this total picture that we are discussing.

MR. HOGAN: It was just way of advisement. Actually, we can disregard that facet of it completely.

I do feel that, figurewise, mathmetically, it is most beneficial to the estate.

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Now, according to our accountant, that is, the receiver's accountants, this estate had liabilities of $575,000. Now, the notes to the children were expunged to the amount of 133,000, bringing down our liabilities to approximately 440,000. With the hundred thousand of the Tinker Bank expunged, so to speak, we will have liabilities in this estate of about $340,000. Now, this is disregarding any claims of the Tilney children and/or Mrs. Tilney. But I am just taking my accountants' figures, and I have to work from them at this juncture.

THE COURT: When you say "claims," you mean the claims that are still pending and are the subject of hearings which have been adjourned until a further dat

MR. HOGAN: And there are others that have been submitted by Mrs. Tilney since that time. But let us assume on my accountants' figures that with the Tinker National Bank off the hook as a creditor, we are then down to about $340,000 in liabilities. In the July report of our accountants he made a statement of assets in this estate of about 310,000.

I am pleased to say that as of today, with about 43,500 coming in on a recent sale of some Matanuska stock, we have about $290,000 in the estate. And I still have for sale about 1700 shares of the Matanuska Bank at

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approximately 29 to 30 dollars a share. I have an offer on that 1700 shares of 27. I think I can get 29, which I got for the 1500. Selling that Matanuska Bank would bring us up to about $340,000 as against the $340,000 liabilities. Of course that does not take into consideration the administration expense.

However, we have other assets - City Commerce debentures, which I think would market for around $45,000. We have the real property in Alaska, in Anchorage. I received an offer on that property of $20,000. But Mr. Benisch and I thought it advisable to get an appraiser up there in Alaska. And to our surprise, an appraisal came back of $45,000. However, I feel that I am going to get an offer of around thirty-two to three-three thousand, or approximately 75 per cent of our appraised value. And being an absentee landlord, I think it might be advisable to recommend that figure to the Court. But assuming we did sell it for the 40,000, we would then have about $375,000 in the estate as against liabilities of 340,000, exclusive of administration expense.

As I mentioned, City Commerce I think can be sold for around $45,000. So we would then be up around 410. We have Sundown Premises of the insolvent, if we are forced to sell it, on which we could realize

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probably a net of 125,000 after the mortgage.

We have some Long Island Commercial Review stock that probably would go for around $17,000, or sixteen.

There is stock of Marine Midland Bank which we have to test to find out who does own it, whether it belongs to the receiver or it belongs to Tilney & Company.

We are in a position in this transaction, if this were approved by the Court, we would be able to make a very, very healthy report to the creditors, which I think we should do if this is approved by the Court.

I recommend approval on the ground that, as stated by Mr. Gunnigle, if he will pay back to the estate $5500 -- this is predicated on the appraisal that he received for one hundred and three thousand five -- that he will indemnify, that is, the bank will, not Mr. Gunnigle, that the bank will, Marine Midland Bank, and I think we can accept their indemnification, they will indemnify us pro rata if they are to receive more by this transaction than the general creditors -- than the creditors.

Mr. Gunnigle has also agreed that if he would sell this property, we will assume for 140,000, that the $40,000 profit, so to speak, would be escrowed, held for the benefit of the receivership, in the event he could not

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make full distribution.

I think that from every angle it would be most salutory and most beneficial to this estate, and I recommend it to the Court.

THE COURT: Did you wish to be heard, Mr. Benisch, or has Mr. Hogan said it all?

MR. BENISCH: Your Honor, as counsel for the receiver, I have examined the petitioner's application, and I have been privy to the negotiations which preceded and led up to it, and I would say that, with a slight 5
modification with respect to the indemnity provision in the application, which I would like to see, and I think which is a matter of mechanics which could be worked out with the bank if this Court sees fit to give us the authority to so do, I feel from a legal standpoint that entering into this transaction will not jeopardize the general creditors of the receivership's estate.

Now I base my statement on these facts. We are ridding, if you will, the estate of a hundred thousand dollars worth of liabilities. We have an appraisal on this piece of property of $82,500.

THE COURT: I think the date of that appraisal should be reflected on the record.

MR. BENISCH: Yes. The date of the appraisal,

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the Expressway fences, and it was a little bit slow.

THE COURT: I hadn't suggested the time because I wanted an apology. I just said we did wait for you.

MR. ORMSTEN: Your Honor, may the record reflect that Mr. Tilney, or maybe Mr. Tilney may now make a statement vis-a-vis the order to show cause, because I feel that the record amply reflects that he has been here. Does he in any way oppose this motion? I think it might be wise if we did have it reflected on the record.

MR. TILNEY: No. This proposal of the Tinker Bank was suggested to the Tinker Bank by myself in July, 1968.

MR. ORMSTEN: I didn't mean in any way to prolong this. I don't mean to suggest that Mr. Tilney has to say more than that, but I thought it would be advisable for the record to reflect it.

THE COURT: In other words, as I understand your expression, Mr. Tilney, you do not oppose this petition and this application by the Marine Midland, but instead you have stated that back in July you yourself were interested in some such resolution and that you were negotiating with the Marine Midland at that time.

MR. TILNEY: It was then the Tinker National Bank. It was 1968, if your Honor remembers, at that time we were

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struck with the situation with the City of Nome of a $4,000,000 suit, which would have made the Tinkers' present application quite fruitless, because the indemnification could easily have wiped them out until that matter was resolved.

So we have no objection, either Mrs. Tilney or myself, to this, and we think it is a very fine solution to our problem.

THE COURT: And since time is helpful, in the sense that any expediency is highly desirable at this point, how much time do you think the SEC, and you particularly, because you have the labor, how much time would you want?

MR. ORMSTEN: Your Honor, we would ask for ten days. It may be that we will not submit further papers, and I would then respectfully ask permission to call the Court and so inform the Court and Mr. Benisch and Mr. Gunnigle. But if we are going to submit I think we would need ten days.

THE COURT: Well, in any event, should you desire to submit, the Court will receive your submission, and if you desire to merely communicate with the Court and indicate your approval, I would expect that the approval of the SEC be spread on the record in open court at a meeting to be called at the earliest possible time

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after you have indicated your position.

MR. ORMSTEN: Thank you, your Honor.

MR. TILNEY: If I might interpose, sir. We would have a backlog written off if this proposal doesn't carry through, and this would be definitely harmful to Mrs. Tilney and myself. We certainly don't want that to happen. We have tried to meet all our obligations. A write-off would be something that we wouldn't want to --

THE COURT: I called this conference today, Mr. Tilney, precisely on the date requested by Mr. Gunnigle and not without some inconvenience, may I add.

MR. TILNEY: Thank you very much.

THE COURT: Good day, gentlemen.

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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SECURITIES AND EXCHANGE COMMISSION, :

Plaintiff, :

-against- :

TILNEY & COMPANY, :
FREDERICK TILNEY, :

Defendants. :

----------x

67 Civil Action
File No. 4676

PETITION

TO THE HONORABLE DAVID N. EDELSTEIN, JUDGE OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK:

The Petition of JOSEPH C. HOGAN respectfully shows:

1. Your petitioner is the duly appointed, qualified and acting receiver of the assets of the above captioned defendants.

2. Under deed dated the 23rd day of August, 1968, your petitioner and I. Alan Harris, as receivers for Frederick Tilney, individually and Tilney & Company, took title to a certain parcel of real property located in Anchorage, Alaska. A copy of the deed containing a description of said property is annexed hereto as Exhibit "A" and made a part hereof.

Prior to said transfer of title said property had been held by Alaska Title Guaranty Company as Trustee for the benefit of Metropolitan Mortgage & Securities Co., Inc., as beneficiary. There had been a default in the payments of the obligation for which such trust had been established and, as a result, the Trustee had commenced foreclosure proceedings on said property.

Frederick Tilney had a partial interest in said property and had made

prior payments of the purchase price pursuant to the Deed of Trust.

Acting under the belief that said property had a value in excess of the unpaid balance owing under the Deed of Trust, your petitioner and Mr. Harris bought said property at the foreclosure sale for $14,019.84, the balance owing under said Deed of Trust.

2. Since the date of taking of title, your petitioner has actively sought, through brokers in the Anchorage area, to find a buyer for said property willing to pay a reasonable price therefor. Until recently there had been no interest expressed in purchasing said property.

Recently, however, your petitioner received an offer through Professional Realty, Inc., one of the brokers who had listed the property. After several modifications said offer has been increased to a net price to the receivership of $32,000. The terms of such offer are as follows:

a) $8,500 payable upon acceptance by the seller of the offer.

b) $13,500 payable on or before 90 days from acceptance.

c) $10,000 payable on or before 150 days from acceptance.

d) Buyer's notes to bear 6% interest per annum.

e) Alaska Title Guaranty Company to hold deed in escrow until the buyer has tendered all monies.

f) Buyer to pay all closing costs, including broker's commission.

g) Seller to pay cost of title insurance (estimated to be approximately $120).

A copy of the above proposal is annexed hereto as Exhibit "B" and made a part hereof.

3. The above property has been appraised by Dick Fischer & Associates as having a market value of $45,000. A copy of said appraisal is annexed hereto

as Exhibit "C" and made a part hereof.

4. As previously indicated, your petitioner has, since the date of taking title, been attempting to negotiate the sale of this property without success. In fact, there had been no offers at all on said property prior to the present potential buyer's original offer which your petitioner managed to increase from $16,000 to the present amount.

Based upon this apparent lack of interest in the property, the fact that said property is unimproved and nonproductive, that the receivership is presently obligated to pay the real property taxes on the property and upon the present need of the receivership for cash with which to pay creditors' claims, your petitioner recommends the acceptance of said offer.

It is the contention of your petitioner that the offered purchase price of $32,000, which is slightly less than 75% of the appraised valuation, represents the fair market value of said property at the present time.

6. This petition is brought on by order to show cause rather than by notice of motion in order to obtain

the quickest possible disposition of the matter due to the fact that said offer to purchase is good for 60 days from January 29, 1970. No prior application for the relief sought herein has heretofore been made.

WHEREFORE, your petitioner prays that the annexed order to show cause be signed and that an order be made authorizing your petitioner to sell the above-mentioned real property upon the terms and conditions hereinabove set forth.

Dated: New York, New York
February 10, 1970

JOSEPH C. HOGAN

Appellant's Notes

Three exhibits were attached to receiver Hogan's Petition of February 10, 1970.

By agreement these are not being included in the appendix but are indexed below.

Exhibit A -- Trustee's Deed of August 23, 1968

Exhibit B -- Proposal of Professional Realty, Inc., 133 West Fireweed Lane, Anchorage, Alaska -- $32,000

Exhibit C -- Letter, December 4, 1969, of appraisal from R. W. Fischer

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,	:	
Plaintiff,	:	67 Civil Action File No. 4676
-against-	:	APPLICATION FOR ALLOWANCE
TILNEY & COMPANY, FREDERICK TILNEY,	:	
Defendants.	:	

The petition of WAGNER, QUILLINAN & TENNANT, ESQS., respectfully states:

1. Your petitioner is a firm of attorneys duly admitted to practice and practicing in the Courts of the State of New York and in this Court. Your petitioner maintains offices for the practice of law at 350 Fifth Avenue New York, New York. The partners of said firm at the present time are Robert F. Wagner, Francis J. Quillinan and Edwin A. Tennant, Jr. An affidavit of Francis J. Quillinan setting forth the qualifications of your petitioner is annexed hereto as Exhibit C and made a part hereof.

2. Your petitioner was retained by I. Alan Harris and Joseph C. Hogan, the duly appointed receivers of the assets of Tilney & Company and Frederick Tilney on or about January 29, 1968 pursuant to the authorization contained in the Consent Judgment of this Court dated December 18, 1967 which was duly entered in the above entitled action.

3. This is an application for an allowance of compensation for petitioner's services rendered and expenses

incurred from January 29, 1968 through January 15, 1970 in acting in the capacity of attorneys for said coreceivers in the above entitled action.

4. On January 1, 1969 Robert F. Benisch, Esq. who, until that date was associated with your petitioner, became associated with another firm. Because of his close familiarity with the background and facts of this proceeding and his knowledge and experience in matters of this kind it was the judgment of your petitioner and of the receivers that, in order to insure a continuity of legal representation and to avoid the increase in time and expense involved in a change of individual attorneys, Mr. Benisch should continue to act as attorney for the receivers on an of counsel basis with your petitioner. Consequently, since said date Mr. Benisch has represented the receivers as of counsel to your petitioner. Accordingly, for purposes of this application the firm of Wagner, Quillinan & Tennant and Robert G. Benisch, Esq. are hereinafter collectively referred to as the "petitioner".

5. Attached hereto as Exhibit "A" and made a part hereof is a detailed statement taken from actual time records of Messrs. Francis J. Quillinan, Robert F. Wagner, Robert G. Benisch, James F. Murphy, Jr. and Walter J. Higgins, Jr. setting forth, in capsule form, the numerous matters dealt with and the time spent thereon by your petitioner for the period January 29, 1969 through January 15, 1970.

6. Attached hereto as Exhibit "B" and made a part hereof is a statement of the expenses incurred and disbursements made by your petitioner in connection with this receivership for the period covered by this application.

7. The following is a brief summary of the extensive services rendered by your petitioner in acting as attorneys for the receivers in this action:

Initial Familiarization

Upon your petitioner's retention as counsel for the receivers it was necessary for your petitioner to become fully familiar with the facts and circumstances leading up to the entry of the above mentioned consent judgment. To this end, numerous hours were spent in conferring with the receivers, their accountants and Mr. Tilney and in examining voluminous background reports, correspondence and memoranda taken from the files of Tilney & Company and the Securities and Exchange Commission.

At the direction of the receivers your petitioner prepared and mailed to all known creditors and customers of Frederick Tilney and Tilney & Company a notice advising said creditors and customers of the existance of this receivership, the provisions of the above mentioned consent judgment of this Court and of the appointment of the receivers.

The threshold problem facing the receivers, their accountants and counsel was the establishment of the assets and liabilities of Tilney & Company and Mr. Tilney. Because of the involved and complicated nature of the transactions of Tilney & Company going back several years prior to the receivership, it was necessary for your petitioner to spend many hours in examining and determining the legal effect of many of these transactions and ascertaining their impact on the asset-liability picture of Tilney & Company. Of particular import in this regard was the interrelationship between Tilney & Company and certain other corporate entities formed and controlled by Mr. Tilney. It was deemed essential because of this intercompany relationship and the fact that at least one of these controlled corporations was indebted to Tilney & Company in

an amount in excess of $600,000, that, for the protection of the receivership estates, the receivers be granted control of the future business operations of these debtor corporations. Accordingly, at the instance of the receivers, Mr. Tilney entered into a stipulation in open court to the effect that no act or acts of these corporations out of the day-to-day ordinary acts would be taken without the prior consent of the receivers.

The Claim Against D. Raymond Kenney & Co.

Among the assets listed by Tilney & Company was an alleged claim against D. Raymond Kenney, a dealer in bank stocks, doing business under the firm name of D. Raymond Kenney & Co. It appeared that Tilney & Company and D. Raymond Kenney & Co. had entered into a joint venture arrangement for the purchase and sale of various stocks and other securities. Over a period of five or six years a loss of approximately $215,000 had been sustained by Tilney & Company in said joint venture and Tilney & Company was claiming reimbursement for one-half of such loss in accordance with certain agreements between it and D. Raymond Kenney & Co.

After examining the facts with Mr. Tilney and his staff and thoroughly researching the matter your petitioner held a conference with the principals of D. Raymond Kenney & Co. in an attempt to arrange for the payment of this obligation without the necessity of formal legal action. Mr. Kenney, however, was adament in his denial of any liability under the joint venture arrangement and refused to make any reimbursement on account of the loss sustained. Consequently, on March 14, 1968 your petitioner commenced an action in Supreme

Court, New York County, against D. Raymond Kenney & Co. for the recovery of $107,815.49, representing one-half of the loss sustained by the joint venture. Thereafter, upon issue being joined, your petitioner moved said court for an order granting summary judgment in favor of the receivers and submitted a lengthy affidavit, reply affidavit and memorandum of law in support of said motion. During the preparation of said motion papers your petitioner held many conferences with Mr. Tilney, his assistant and his accountant, for the purpose of obtaining the necessary background information and evidence pertaining to this matter.

Said Court thereafter decided said motion in favor of the receivers and an order granting plaintiffs' motion for summary judgment in the amount of $107,815.49 plus interest was entered with the Clerk of said Court on July 2, 1968.

Upon the entry of a judgment based upon said order and the expiration of the time for appeal therefrom, your petitioner set about the collection of said judgment. Several conferences were held with Mr. Kenney, his attorney and the receivers with respect to the ability of Mr. Kenney to satisfy said judgment. Conferences were also had with Mr. Tilney at which he expressed his ideas on how said judgment should be satisfied. In order to analyze Mr. Kenney's financial position and to verify his claimed inability to satisfy said judgment in full within a reasonable time, your petitioners obtained from Mr. Kenney a verified statement of his net worth and explored the possibility of his making periodic payments on said judgment. An examination of this statement disclosed that Mr. Kenney was, in fact, in a serious financial position

with this judgment outstanding and was clearly unable to even substantially satisfy same out of his current assets. In addition, at the instance of the Securities and Exchange Commission, Mr. Kenney had discontinued all business operations as a broker-dealer until such time as he was in compliance with the Commission's Rule 15C 3-1 (net capital rule).

Finally, after extensive negotiations by the receivers and your petitioner, Mr. Kenney proposed that if the amount of the judgment were compromised he would attempt to borrow, fund sufficient to pay the compromised amount. Further negotiations were had as to the amount of the reduction and it was agreed by the receivers and Mr. Kenney that the judgment would be settled by the immediate cash payment of $85,000 to the receivers. It was deemed necessary at this point to apply for and obtain the approval of this court with respect to this settlement due to the fact that Mr. Tilney objected to any settlement of said judgment in a reduced amount.

Accordingly, your petitioner prepared an application to this Court for authority to settle the judgment on the above terms and attended a hearing before this Court at which time the matter was fully discussed and both sides were heard. An order based on the Court's decision authorizing said settlement was thereafter prepared and entered.

In obtaining summary judgment in the above action and recovering the sum of $85,000 without the necessity of a long and costly trial on the merits your petitioner was required to spend a very substantial number of hours in legal research (with particular reference to Rule 15C 3-1 of the Securities and Exchange Commission), preparation of papers and memoranda, conferences with various parties and attendance in court on several occasions.

Alaskan Real Property

One of the assets contained in the estate of Frederick Tilney was a partial interest in a parcel of real property located in Anchorage, Alaska.

During May of 1968 your petitioner was contacted by a representative of the State of Alaska, Department of Highways in connection with the granting by the owners of said property of an easement to the State of Alaska. After communicating with said Department of Highways on several occasions, your petitioner reviewed and submitted for the receivers' consideration the final proposal of the State in connection with the granting of said easement.

Shortly thereafter the receivers were notified that said real property was to be sold at public auction by Alaska Title Guaranty Company as Trustee of a Deed of Trust for the benefit of Metropolitan Mortgage & Securities Co., Inc. due to the fact that the owners of said property were in default on the payments pursuant to said Deed of Trust.

Your petitioner thoroughly reviewed the provisions of the said Deed of Trust and the statement prepared by Mr. Tilney indicating the payments made pursuant thereto. Upon such review, it was apparant that the payments under said Deed of Trust were, in fact, in arrears and that upon such forclosure sale the proceeds of said sale would be used to satisfy all amounts due the said Metropolitan Mortgage & Securities Co., Inc. under said Deed of Trust.

Your petitioner corresponded on several occasions with the co-owners of the property in an attempt to pursuade them to make the payments due under the Deed of Trust thereby avoiding the contemplated foreclosure sale. All attempts in this regard proved unsuccessful.

appropriate measures to obtain an order of the Court expunging

During the brief period prior to said sale the receivers were advised by Mr. Tilney and others that this property might have a value substantially in excess of the unpaid balance owing under said Deed of Trust. It was therefore deemed advisable for the receivers to buy in said property at the lowest possible bid at said auction sale for the purpose of protecting a possible equity in said property.

At the request of the receivers your petitioner arranged, through local counsel in Anchorage, for the purchase of said property at the foreclosure sale and for the transfer of necessary funds for said purchase. Thereafter, your petitioners reviewed the deed transferring title to said property to the receivers and arranged for the proper recording thereof and for the payment of the expenses incidental to the auction sale.

Your petitioner communicated with several real estate brokers in the Anchorage area in connection with obtaining a buyer for said property. In this regard, your petitioner has recently received a purchase offer through one of said brokers, the terms of which have been the subject of several discussions with the receiver.

A resulting counter-offer calling for a purchase price substantially greater than the price paid at the foreclosure sale has been made to said broker which, if acceptable to the prospective buyer, will be presented to this Court for approval.

The City of Nome Action

Prior to the commencement of the receivership, Tilney & Company had entered into an agreement with the City of Nome

to underwrite or purchase a certain issue of the City's revenue bonds. Due to various factors Tilney & Company was unable to carry out its obligation under said underwriting agreement and, consequently, was forced to default on said agreement.

Your petitioner spent many hours examining the Tilney & Company files in connection with this matter and had several conferences with the receivers and Mr. Tilney with respect to the possible liability of Tilney & Company due to its default on said agreement and any possible counterclaims which might be raised in an action based upon said default.

Your petitioners also corresponded and conferred with co-counsel for the City of Nome in an attempt to arrange a settlement of this matter without the necessity of legal action. Such negotiations proved unsuccessful and, on or about August 5, 1968, the City of Nome commenced an action in the Superior Court for the State of Alaska, Second Judicial District, against Tilney & Company, Frederick Tilney, Dorothy M. Tilney, the receivers and Governmental Statistical Corporation alleging damages to the City in the total amount of $4,000,000. as a result of the breach by Tilney & Company of the above underwriting agreement. Of the above amount, $2,000,000 was demanded as damages against Tilney & Company and Frederick Tilney.

The advent of this action posed an almost insurmountable problem to the receivers in their administration of the estates herein. A total roadblock had been created in that no distribution to creditors could be made while a potential liability of $2,000,000 overshadowed the estate. After several conferences on the matter, it was decided that the defense of this action and steps toward an eventual settlement thereof should receive top priority from your petitioner.

[pt the hearing before this Court at which time all aspects of

Accordingly, in preparation for the defense of this action, your petitioner spent many additional hours reviewing files and correspondence, conferring with Mr. Tilney, the receivers, this Court, counsel for the City of Nome and local counsel retained in Anchorage.

At this point the receivers considered it necessary that one of them,with counsel, proceed to Anchorage, Alaska for the purposes of providing for the defense of this action and attending to the multitude of receivership matters which had accumulated and which could not be adequately handled by telephone or correspondence from New York. Accordingly, your petitioner on behalf of the receivers, applied to this Court for authorization for Mr. Harris and Mr. Benisch to travel to Alaska. At a hearing before this Court such authorization was granted and an order to such effect was prepared and entered herein.

In preparation for said visit to Anchorage your petitioner sent letters to various parties for the purpose of arranging appointments for Mr. Benisch and Mr. Harris to discuss receivership problems.

Thereafter, on August 18, 1968 Mr. Benisch traveled to Anchorage, Alaska where he joined Mr. Harris. While in Anchorage, Mr. Benisch, together with Mr. Harris,conferred at length with Roger Cremo, the attorney for the City of Nome. Mr. Benisch and Mr. Harris also conferred on several occasions with the Hon. Marvin S. Frankel, United States Attorney for the District of Alaska, and in Mr. Frankel's presence, met with several customers of Tilney & Company for the purpose of informing them of the various problems of the receivership and the present status with respect to anticipated payment to

customers and creditors. While in Anchorage Mr. Benisch also conferred with Don Burr, local counsel retained by the receivers in connection with the defense of the City of Nome action and several other legal matters concerning the receivership. Mr. Benisch also participated with Mr. Harris at several conferences held with a representative of Forster & Marshal, a brokerage firm, and with representatives of various banking institutions for the purpose of discussing and negotiating the possible sale of blocks of stock of said banks held by the receivers (it should be noted that a substantial portion of the Alaskan bank stocks for which the receivers had been unable to obtain a fair bid or any bid at all).

Mr. Benisch, together with Mr. Harris, attended the stockholders' meeting of the Alaska State Bank, a substantial block of shares of which were held by the receivers. Both Mr. Benisch and Mr. Harris also had several conferences with officers of City Commerce Corporation for the purpose of attempting to obtain an adequate price for the debentures and common stock of said corporation held by the receivers and for the purpose of arranging for the closing of the Anchorage office rented by Tilney & Company from City Commerce Corporation. Mr. Benisch and Mr. Harris spent several hours sorting and examining the various files, records and papers of Tilney & Company located in said Anchorage office. After thorough examination, the important contents of said office were segregated for packing, and arrangements were made for the shipment of same to New York and for the disposal of the unimportant material.

Mr. Benisch and Mr. Harris also visited the site of

the real property just outside Anchorage and met with various real estate brokers in connection with placing the above mentioned Anchorage real property on the market.

In all, during his 4½ days in Anchorage, Mr. Benisch spent between 10 and 11 hours a day in the conduct of receivership matters. This time plus two day's travel time to and from Anchorage has been noted at the foot of petitioner's time schedules annexed hereto and should be added to the total time spent by petitioner herein.

Report to Creditors

Upon returning from Alaska the most pressing problem facing your petitioner was the necessity of communicating to the various customers and creditors the status of the receivership to date, i.e.: cash on hand, assets remaining for liquidation and the existence of the Nome action which had placed a tremendous stumbling block in the path towards final distribution. The necessity of such a communication had been expressed by the Securities and Exchange Commission, this Court, Mr. Frankel and many of the customers themselves.

In this regard, your petitioner, in concert with the receivers and their accountants, spent many hours in preparing a comprehensive and detailed report to creditors indicating the progress of the liquidation of assets and including the most recent financial data. Your petitioner also drafted a form of Proof of Claim for use by creditors in filing their claims with the receivers. Thereafter your petitioners arranged for the reproduction and mailing of said report and proof of claim to all customers and creditors.

Your petitioners also prepared and caused to be published in several newspapers a notice to creditors addressed to those creditors who, for various reasons, had not received the report and proof of claim, informing them of the existence fo the receivership and the necessity for them to contact the receivers for the purpose of filing their proofs of claim herein.

The Tinker National Bank Claim

One of the largest creditors of the receivership estate is Tinker National Bank (now Marine Midland-Tinker National Bank), which has an outstanding loan to Mr. Tilney in excess of $98,000 plus accrued interest of approximately $11,000.

In order to acquire additional collateral for said loan Tinker approached the receivers and your petitioner with several proposals, the substance of which were that in return for the transfer of title to, or a security interest in, certain real property valued at less than $98,000, Tinker would waive a corresponding amount of its aforesaid claim against the receivership estates. Your petitioner and the receivers had several conferences with representatives of Tinker and Mr. Tilney in connection with the acceptability of these proposals. Thereafter, your petitioners prepared and filed, on notice to all parties, an application to this Court based upon one of such proposals and attended a hearing before this Court on such application. The Court, in its judgment, deemed the value ascribed to the real property in question, which was to be transferred to Tinker, to be too low and thereafter negotiations on a modified proposal were entered into with Tinker.

These negotiations with Tinker have been conducted under the belief by the receiver and your petitioner that if the Tinker liability of over $98,000 could be removed in exchange for the conveyance to Tinker of an asset with an appraised value less than the amount of said liability or, in exchange for the conveyance to Tinker of an asset not solely owned by Frederick Tilney or Tilney & Company, the receivership estate would benefit greatly thereby. Throughout all of such negotiations both the receiver and your petitioner have been keenly aware that any such arrangement must not adversely affect other creditors' claims.

In an attempt to expedite the winding up of the receivership, the receiver and your petitioner also made a proposal of their own to Tinker calling for a loan from Tinker of sufficient funds with which to wind up this proceeding with a 100% pay-out to all creditors.

In this regard, your petitioner reviewed the present asset and liability status of the receivership, formulated a detailed loan proposal and met with representatives of Tinker at its offices at East Setauket, Long Island for the purpose of discussing same.

After lengthy negotiation and discussion Tinker declined to accept said loan proposal stating that it would prefer to submit a modified proposal along the lines of its previous proposal described above.

Thereafter your petitioner was called upon on several occasions to discuss the merits of and give legal opinions with respect to a modified proposal which the receiver and Tinker were in the process of working out.

Your petitioner reviewed all aspects of the written modified proposal of Tinker and, on December 30, 1969, attended at a hearing before this Court called for the purpose of discussing the merits of Tinker's modified proposal and the possible acceptance thereof. Since said hearing your petitioner has conferred on several occasions with the representative of the S. E. C. with respect to the public's position should said proposal be accepted.

The hearing on said proposal has been adjourned pending the recommendations of the S. E. C.

The Michaels Obligation

Your petitioner, for the purpose of collecting an outstanding obligation owing to Frederick Tilney, commenced an action in the Civil Court of the City of New York County of New York against Richard J. Michaels. In connection with this action your petitioner reviewed the facts with Mr. Tilney, prepared a Notice of Motion for Summary Judgment in Lieu of Complaint and affidavit in support thereof and arranged for service of said process on Richard J. Michaels.

After discussions with the attorney for defendant and Mr. Tilney your petitioner arranged for the settlement of said action on the basis of a cash payment in the full amount of the claim to the receivership estate.

The Governmental Statistical Corporation Debt

An examination of the books and records of Tilney & Company indicated that said partnership was a creditor of Governmental Statistical Corporation (a corporation formed

and controlled by Frederick Tilney) to the extent of over $630,000, said liability being evidenced by various promissory notes and other certificates of indebtedness.

A further examination, to the extent possible, of the assets and liabilities of Governmental Statistical Corporation (hereinafter referred to as "G.S.C.") indicated that although said corporation is totally insolvent there are assets having a value which might be sold in partial satisfaction of G.S.C.'s obligation to Tilney & Company. Mr. Tilney as president of G.S.C., refused to liquidate or turn over any assets of G.S.C. in partial payment of the aforesaid obligation and, accordingly, your petitioner commenced an action in the Supreme Court of the County of New York by service upon G.S.C. of a Notice of Motion For Summary Judgment in Lieu of Complaint and supporting affidavit. Subsequent to said service of process Mr. Tilney agreed to sign a confession of judgment on behalf of G.S.C. which confession was prepared and filed by your petitioners in the office of the Court Clerk of Nassau County.

Upon filing said confession of judgment your petitioner prepared and served on the Sheriff of Nassau County an Execution and commenced supplemental proceedings against G.S.C. for the purpose of collecting whatever amount possible on said judgment. Various restraining notices and information subpoenas were prepared and served upon parties who might possibly be in or come into possession of money or property belonging to G.S.C. As a result of these restraining notices, your petitioner obtained for the estate approximately $3,580 representing the balance of the proceeds of a certain condemnation award to G.S.C. from the State of New York.

An examination of the records of Tilney & Company indicate that there is on deposit at Long Island National Bank some $33,000 belonging to Tilney & Company which is being held by said bank to secure a loan of G.S.C. In addition, said bank is holding as additional security certain other assets belonging to Frederick Tilney and/or Dorothy Tilney and G.S.C.

Your petitioner spent several hours researching the legal steps available to force the liquidation of said bank loan by sale of collateral and the remittance to the receiver of the balance of the collateral after the payments of the bank's loan. At the present time, your petitioner is proceeding with the necessary steps to accomplish the foregoing as well as executing on other properties of G.S.C. in an attempt to satisfy said judgment insofar as possible.

Claims of the Tilney Children

Included in the liabilities of Frederick Tilney was the amount of $145,360.68 alleged by Mr. Tilney as owing to his three infant children. Said liability was based on the amount of certain promissory notes, money in bank accounts and the value of certain stocks alledgedly owing by Mr. Tilney to his three children.

Your petitioners had several discussions with the receivers and Mr. and Mrs. Tilney concerning the nature of the childrens' claims and the advisability of having a Guardian ad Litem appointed for the purpose of representing said infants' interests in this proceeding.

Thereafter, your petitioners prepared and filed with this Court a petition on behalf of the receiver requesting that this Court appoint a Guardian ad Litem to represent said infants herein and that the Court order that the claims of

said infants based on the promissory notes of Frederick Tilney be expunged.

Your petitioners attended the hearing before this Court on the above petition and participated in an examination of a guardian which at Mr. Tilney's instance, had been appointed by the Surrogate's Court of Nassau County to represent his children herein.

Thereafter, at the direction of this Court, your petitioners prepared an order rejecting said guardian and providing for the appointment of a Guardian ad Litem to be designated by the Court.

Your petitioners then met with Arnold Bauman, Esq., the designated Guardian, and provided him with background information concerning the alleged liability to the children and with copies of all relevant papers in connection with the matter.

Upon receiving and examining the proofs of claim filed on behalf of said children by said Guardian, your petitioners became aware of the fact that a portion of the total amount of said claims as filed was based upon a claim for certain funds deposited in "Totten Trust" savings accounts by Mr. Tilney. Your petitioners thoroughly researched the applicable law and, based upon their findings, took the position that said funds at the time of their disbursement were the property of Frederick Tilney and that, accordingly, said children had no legal claim to said funds. Accordingly, your petitioner prepared, filed and served a supplemental petition and order to show cause, praying that this Court expunge the claims of said children as filed by said Guardian. In support of the receiver's position in this matter, your petitioners prepared and submitted two Memoranda of Law setting forth the

applicable case law of the State of New York.

Your petitioners then attended at the hearing before this Court on September 23, 1969, at which time the Guardian presented evidence and testimony was given in support of the childrens' claims. Said hearing has been adjourned to permit the Guardian time to obtain additional records in support of the childrens' claims. Your petitioners have studied the Memorandum of Law submitted by the guardian, the transcript of the Guardian's interrogation of Mr. Tilney taken prior to the hearing and the transcript of the testimony given by Mr. Tilney at the hearing in preparation for the continuation of said hearing. As of the date of this application, this matter is pending an adjudication by the Court.

Sale of the Waddington Bank Stock

At a hearing on June 26, 1969, this Court, acting on the basis of discussions had at that and previous hearings and the recommendation of the Securities and Exchange Commission ("S.E.C."), directed the receivers to attempt to effect a rescission of the sale of 787,251 shares of stock of the Waddington Bank which had previously been sold by the receivers.

Thereafter your petitioners discussed with Mr. Harris and this Court the manner in which said rescission should take place and what steps should be taken to sell said shares of stock upon their return to the receiver.

At a subsequent hearing before this Court attended by your petitioner on July 16, 1969, the various parties and the Court concluded that said shares should be offered for

sale at public auction. In order to implement this procedure your petitioners met with the receiver and a representative of Underwriters Salvage Co. of New York, a firm with broad experience in the liquidation of assets, for the purpose of discussing the best and most effective method of advertising the comtemplated auction sale in order to obtain the highest price possible for said shares. Your petitioners also had several discussions with the receiver, Mr. Tilney and the S.E.C. in this regard.

Your petitioners then drafted forms of advertisement, terms of sale, notice of sale, a petition to this Court and an order authorizing the sale of said shares at public auction pursuant to the proceedure set forth in said petition. Your petitioners also communicated with the appropriate State and Federal governmental agencies and solicited their acquiescence in said auction sale.

Your petitioners spent many additional hours in discussions with Mr. Tilney concerning the form of this sale and in reviewing and discussing various descriptive advertising material proffered by him.

Your petitioners attended the auction sale held before this Court on September 24, 1969 and prepared and had executed by the buyer at said sale a memorandum of sale evidencing said buyer's agreement to pay the purchase price as provided by the terms of sale.

Claims By Other Tilney Interests

Under date of November 28, 1969, Frederick Tilney, as executor of the estate of Camilla H. Tilney, dec'd. Dorothy M. Tilney as legal guardian for Kathleen Gail Tilney,

Dorothy M. Tilney individually, Tilney & Company, Inc., and Dorothy M. Tilney as legal guardian for Kathleen Gail Tilney Dorothy C. Tilney and Frederick Tilney, Jr. filed formal proofs of claim against the receivership estate in the aggregate amount of $271,919.65.

Upon receiving copies of said claims your petitioner examined the contents of each and the supporting papers submitted therewith. Such supporting documentation for said claims was so vague and incomplete that, upon consulting with the receiver, it was decided that an application should be made to this Court for an order expunging said claims. Accordingly, your petitioner prepared a petition and order to show cause for the purpose of bringing such application on before the Court.

Due to the complete lack of adequate supporting documentation for said claims, it became necessary for your petitioner to conduct oral examinations of the respective claimants in an attempt to acertain the factual background of such claims and what, if any, records or other documentation claimants would produce on the return of the above motion to expunge.

Accordingly, on December 22, 1969 your petitioner, pursuant to formal notice, conducted an oral examination of claimants Dorothy M. Tilney and Tilney & Company, Inc., by its president Frederick Tilney, before a certified stenographic reporter.

Your petitioner has carefully reviewed the transcript of said examinations and, based upon the testimony given by the parties therein, it is anticipated that your petitioner will proceed, on behalf of the receiver, with

appropriate measures to obtain an order of the Court expunging said claims.

Settlement of The City of Nome Action

As stated above, Mr. Benisch and Mr. Harris while in Anchorage, spent several hours with Mr. Cremo, the attorney for the City of Nome, discussing the facts and merits of the City's action against Tilney & Company and Frederick Tilney. In the course of said discussion it was pointed out to Mr. Cremo that Governmental Statistical Corporation ("G.S.C.") had an existing claim in the amount of $22,000 against the City for certain fiscal advisory services theretofore rendered by G.S.C. to the City.

After negotiations back and forth it was finally suggested by Mr. Benisch that, if the requisite approvals could be obtained, the City's action might be settled on the basis of G.S.C. waiving its claim for fiscal advisory services in return for which the City would discontinue its action. Mr. Cremo's position was that he could not settle the action unless the City received a payment of at least $20,000 in addition to this waiver by G.S.C.

The matter was thereupon left in the hands of local counsel who had been retained by the receivers to represent the defendants Frederick Tilney and Tilney & Company.

Upon returning to New York, your petitioner discussed with Mr. Tilney and the receivers the possibility of G.S.C. waiving its claim against the City as a first step toward possible settlement. At that time, Mr. Tilney, on behalf of G.S.C., was adament in his refusal to compromise said claim in any fashion.

By this point local counsel in Anchorage had filed an answer and counterclaim against the City which counterclaim

alleged non-payment of the above fee and damages to G.S.C. in the amount of $500,000.

Thereafter, Mr. Tilney, at his own expense, travelled to Anchorage for the expressed purpose of attending to some business matters. Upon his return he presented to the receivers a settlement proposal which he had tentatively worked out with Mr. Cremo. The terms of this proposal were reviewed by your petitioner and discussions thereon were had with Mr. Tilney and the receivers. After certain modifications of said proposal, it was agreed by all parties concerned, including local counsel, that, subject to the approval of this Court, the receivership would pay to the City the sum of $20,000 and G.S.C. would waive its claim against the City in return for a credit from the receivership of $44,000 as against the obligation owing by G.S.C. to Tilney & Company (such amounts to be credited against certain notes of G.S.C. enjoying the least seniority in right of payment). This credit of $44,000 was agreed to by the receivers in view of the fact that while Tilney & Company held over $600,000 of G.S.C. notes, the books of G.S.C. indicated conclusively that there was no expectation of collecting anywhere near said sum in the foreseeable future. Consequently, it was of small import that the receivership was to, in effect, forgive $44,000 of the total debt of G.S.C. On the basis of the above, the City would discontinue its action and deliver to the receivers a general release running to Tilney & Company, Frederick Tilney and the receivers.

Your petitioners thereupon prepared a petition to this Court for authorization to settle the action pursuant to the above proposal. Thereafter, your petitioner attended

at the hearing before this Court at which time all aspects of the settlement proposal were fully discussed. Your petitioner then prepared an order authorizing said settlement and submitted the same for signature by the Court.

After receiving the Court's approval, your petitioner prepared and forwarded to local counsel in Anchorage a form of general release for signature by the City of Nome and arranged for the requisite discontinuance papers to be filed with the Superior Court For The State of Alaska.

The settlement of this action removed from the receivership the spectre of protracted legal proceedings involving many thousands of dollars of expense and the lengthy delay of a trial and appeal, not to mention the potential damage liability which might have been found by an Alaskan court on the City's claim. It is the unanimous opinion of all concerned that such settlement was an indispensable step in the process of carrying out the purposes of this receivership.

In connection with this settlement your petitioner spent countless hours in negotiating with the respective parties on both sides, in formulating the method of settlement and in attending to the mechanics of putting said settlement into effect.

8. In the foregoing narration your petitioner has dealt with only one aspect of its duties and efforts as attorneys for the receivers in this matter. In addition to those matters set forth above your petitioner has (a) written and sent over 60 letters in response to letters of inquiry received from customers and commercial creditors; (b) participated in numerous conferences with the receivers and Mr. Tilney: (c) spent countless hours on the telephone with Mr.

Tilney and other interested parties; (d) attended numerous hearings before this Court in connection with receivership business; (e) prepared and submitted various petitions, affidavits, orders to show cause, memoranda of law; and (f) examined and taken action with respect to various reports, appraisals, correspondence and other material. As of January 15, 1970 the total recorded time spent by petitioner amounts to 713-3/4 hours asreflected in the annexed time sheets the contents of which have been extracted directly from petitioners diaries and time records. In addition to said hours, your petitioner as stated above, spent 6½ days inclusive of travelling time on receivership business in Anchorage, Alaska.

9. Based upon the above facts and the annexed statements of services rendered and expenditures made on behalf of the receivership estates, your petitioner seeks an allowance of $45,650.00 for services rendered for the period January 28, 1968 through January 15, 1970 and the amount of $1,390.13 as and for its disbursements and expenses for said period.

At the conclusion of this proceeding an application will be made by your petitioner for a further allowance of compensation for services rendered subsequent to January 15,1970.

10. Your petitioner has made no previous application for an allowance herein nor has it received any prior compensation or reimbursement for expenses herein.

WHEREFORE, your petitioner prays that it be allowed compensation and reimbursement herein for the period January 28, 1968 through January 15, 1970 in the

amount of $45,650.00 , as and for its compensation and $1,390.13 as and for its expenses for said period, said amounts to be paid out of the estate as part of the costs and expenses of administration thereof, or such other amounts as the Court shall deem fair and reasonable.

Dated: New York, New York
February 17, 1970

WAGNER, QUILLINAN & TENNANT

By: [signature]

STATE OF NEW YORK)
: ss.
COUNTY OF NEW YORK)

FRANCIS J. QUILLINAN, being duly sworn, deposes and says that he is a member of the firm of Wagner, Quillinan & Tennant, the Petitioner herein; that he has read the foregoing Petition and knows the contents thereof; that the same is true to his own knowledge, except as to the matters therein stated to be alleged on information and belief and that as to those matters he believes them to be true.

FRANCIS J. QUILLINAN

Sworn to before me this
12th day of February, 1970

Evelyn Suszko

EVELYN SUSZKO
NOTARY PUBLIC, State of New York
No. 41-9253500
Qualified in Queens County
Commission Expires March 30, 1970

STATE OF NEW YORK)
) ss.
COUNTY OF NASSAU)

AFFIDAVIT OF SERVICE BY HAND DELIVERY

FREDERICK TILNEY, being duly sworn, deposes and says:

That he is a defendant-appellant in the matter of the United States Court of Appeals for the Second Circuit, No. 74-1693, Securities and Exchange Commission, Plaintiff-Appellee, vs. Tilney & Company and Frederick Tilney, defendants-appellants, on appeal from judgment of the United States District Court for the Southern District of New York.

That on the 20th day of June 1975 he served one copy of the Deferred Joint Appendix consisting of four (4) Volumes and one (1) Exhibit on

United States Securities and Exchange Commission
26 Federal Plaza
New York, New York 10007
Jeffrey Tucker, Esq., of Counsel

Wagner, Quillinan & Tennant, Esqs.
350 Fifth Avenue
New York, New York 10001
Attorneys for Receiver-Appellee
Joseph C. Hogan

Shaw Bernstein Scheuer Boyden & Sarnoff
292 Madison Avenue
New York, New York 10017
Attorneys for Cross-Appellant and Appellee
I. Alan Harris, Former Receiver

by personal hand delivery against receipt, directed to said attorneys at the addresses listed above.

Deponent is over the age of 21 years.

Frederick Tilney

Sworn to before me this

20 day of June, 1975.

Notary Public

KEVIN G. SLEICHER
NOTARY PUBLIC, State of New York
No. 30-4502141
Qualified in Nassau County
Commission Expires March 30, 197